

**STATEMENT
OF ACCOUNTS
2011/12
(Subject to External Audit)**

For the year ended 31st March 2012

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Explanatory Foreword

1. INTRODUCTION

The financial performance for 2011/12 for the activities undertaken by the council is set out in the Financial Statements as reported in the Statement of Accounts. The Statement of Accounts contains the following:

a. Accounting Policies

Details the legislation and principles against which the Statement of Accounts has been prepared;

b. Financial Statements

- The Movement in Reserves Statement, incorporating the movement in year on all the different reserves held by the council;
- The council's Comprehensive Income and Expenditure Statement which summarises resources which have been applied and generated in providing services and managing the council during the last year;
- The Balance Sheet which sets out the assets and liabilities recognised by the council as at 31st March 2012, and;
- The Cash Flow Statement, which summarises the changes in cash and cash equivalents of the council during the reporting period.

c. Notes to the Financial Statements

The notes to support the financial statements have three main purposes:

- To present information about the basis of preparation of the financial statements and the specific accounting policies used;
- To disclose the information required by the International Financial Reporting Standards Code of Practice that is not presented elsewhere in the financial statements, and;
- To provide information that is not presented elsewhere in the financial statements, but is relevant to the understanding of them.

d. Housing Revenue Account

The Housing Revenue Account Income and Expenditure Statement shows the economic costs in the year of providing housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents and government grants;

e. Collection Fund

The Collection Fund Statement shows the transactions of the billing authority in relation to the collection from tax payers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

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2. SERVICE EXPENDITURE

The service expenditure comprises the day-to-day service running expenses and general income of the council and includes expenses such as salaries, heating, lighting, rent, rates, stationery and depreciation, plus income relating to the services provided.

For 2011/12 the council developed its budget options, within the resources available, by reference to its Corporate Plan and strategic objectives. It also drew on information from formal budget consultations with the public and other interested parties.

The council approved a net budget of £196,209,000 for 2011/12 on 22nd February 2011, and chose to freeze its Council Tax.

a. General Fund Revenue Outturn

The General Fund outturn is a (£0.282m) underspend and a contribution of (£1.500m) to the General Fund as budgeted, which has been achieved against a backdrop of reductions in Government funding in year as well as pressures identified during the year.

This shows the council has addressed the savings requirement and delivered a small underspend, with some opportunity to create reserves for specific future financial issues. This creates a solid basis for the delivery of the 2012/13 budget and the confirmed challenge of addressing the future years budget pressures.

The overall impact of this outturn position produces a closing position of £8.796m on General Fund Balance as at 31st March 2012.

The Housing Revenue Account is reporting an outturn in year of (£1.421m). The overall position for the year, including the balance brought forward from 2010/11, is an underspend of (£0.123m), which results in a reserve balance at the end of March 2012 of £5.511m.

The outturn position for the Dedicated Schools Grant is an underspend of (£2.302m).

The Capital outturn is (£6.824m) against the latest spend approval, £6.854m is due to delays in projects, resources and project delivery will be rephased into 2012/13, leaving a small overspend of £0.030m on the capital programme.

The table overleaf details the over and underspends by Service Group:

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	Revised Budget £'000	Outturn £'000	(Under)\Overspends £'000	%
Resources: Finance and Human Resources	8,707	8,406	(301)	(3.5%)
Resources: Public Access	95	75	(20)	(21.1%)
Adult Social Care and Health	57,299	56,489	(810)	(1.4%)
Housing and Community	2,355	3,133	778	33.0%
Regulatory Unit	3,440	3,384	(56)	(1.6%)
Community Facilities Unit	12,812	12,661	(151)	(1.2%)
Integrated Support and Social Care	30,741	30,608	(133)	(0.4%)
Education, Effectiveness and Participation	35,520	34,529	(991)	(2.8%)
Planning, Economy and Development	2,100	2,434	334	15.9%
Highways and Transportation	19,544	19,575	31	0.2%
Neighbourhood Services	27,887	28,200	313	1.1%
Organisational Transformation Programme	472	520	48	10.2%
Corporate Core	4,139	4,057	(82)	(2.0%)
Net Operating Expenditure	205,111	204,071	(1,040)	
Corporate Items				
Levies	439	439	0	0.0%
Debt Financing and Interest Charges	22,501	21,539	(962)	(4.3%)
Sustainability Items	779	779	0	0.0%
Corporate Savings & One Off Pressures	1,204	2,924	1,720	142.9%
Asset Rental	(33,825)	(33,825)	0	0.0%
Projected Outturn Position	196,209	195,927	(282)	
Resources				
Formula Grant	(88,491)	(88,491)	0	0.0%
Early Intervention Grant	(10,172)	(10,172)	0	0.0%
Council Tax (Including Freeze Grant)	(94,807)	(94,807)	0	0.0%
Reserves	(2,739)	(2,739)	0	0.0%
Total Resources Available	(196,209)	(196,209)	0	
(Addition)/Reduction in General Fund	0	(282)	(282)	
General Fund Balance 1st April 2011			(7,014)	
General Fund (Under)/Overspend 2011/12			(282)	
Budgeted Contribution to General Fund Balance			(1,500)	
General Fund Balance 31st March 2012			(8,796)	

Significant variations for each Service Group are detailed in the paragraphs that follow.

Resources - Finance and Human Resources

The significant variations in Resources - Finance and Human Resources are increased collection in Housing Benefit overpayment debts of (£330,000), improved recovery of council tax benefit overpayments of (£340,000) and improved recovery of housing benefit payments of (£344,000).

These savings were offset by £175,000 providing funding for future potential liabilities arising from central government changes to both Council Tax benefits and housing benefit

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reform and a contribution of £300,000 to the Insurance Reserve due to an increase in the expected level of claims.

An unachievable Procurement savings target of £283,000 was partially offset by Procurement restructure savings of (£114,000).

Resources - Public Access

Facilities and Administration Buildings were unable to achieve hospitality catering and room hire income £144,000 but incurred lower utility costs (£84,000) than budgeted. Further savings were achieved in costs for office rationalisation (£55,000), lower cleaning and catering costs (£57,000), repairs & maintenance costs (£63,000), and additional rent income and savings (£60,000).

Property shows an underspend of (£159,000) due to the release of a Property creditor which offsets costs incurred to date on negotiations with the Homes and Communities and a contribution to the Corporate Property Reserve of £200,000 has been made to begin to prepare for the costs of moving out of Saxon Court.

Adult Social Care and Health

Joint Commissioning and Contracts budgets under spent by (£370,000) including pressures on the joint equipment budget with the Primary Care Trust of £120,000 which have been offset by grant savings and the maintenance of vacancies (£222,000). There is also an under spend within Adult Social Care Training of (£268,000).

Adult Social Care is under spent by (£475,000). Overspends within Physical Disability external homecare were more than offset by reductions in Learning Disability transition placements and efficiency savings in the Mental Health Pooled Budget. There were also favourable variances in Community Alarms and Sheltered Housing due to staffing vacancies within sheltered schemes and equipment savings within the Alarm Service. Additional savings were made across Other Adult Services including Supported Employment, Emergency Social Work, Alcohol Abuse Placements and Delayed Discharges.

Housing and Community

The variance against Revised Budget includes the creation of reserves totalling £639,000 including £200,000 for the compulsory purchase of two properties at Peartree Bridge, £200,000 for legal fees linked to compulsory purchase and a dispute over Calverton Travellers Site and £100,000 for Bed and Breakfast costs arising from homelessness. There was also a loss of income and future abortive capital costs related to travellers' sites of £154,000.

Regulatory Unit

The Regulatory Unit received additional income of (£148,000) in Licensing and Cemeteries and Crematoria, which offsets reduced income in Building Control and Sustainability. Additional legal costs for the Casino of £137,000 combined with legal and professional

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fees in Licensing of £90,000 and tribunal costs £60,000 are partially offset by savings in utility costs (£246,000).

Community Facilities Unit

Savings within Leisure and Community in respect of the Leisure Partnership Contract were (£133,000), and the Library Service achieved savings of (£143,000). These are offset by additional costs in respect of Woughton Leisure Centre and Woughton on the Green Sports Ground £180,000.

Integrated Support and Social Care

Staff identified in the SENDIS team who were budgeted to be charged to General Fund have been charged to Dedicated Schools Grant creating an underspend of (£213,000).

£113,000 contribution has been made to Earmarked Reserves to offset the anticipated shortfall in Youth Services income in 2012/13, while restructuring of the service takes place.

There were pressures within Children's Social Care, because of the increasing number of children in care, and in-house fostering placements resulting in an overspend of £326,000. There were overspends of £98,000 in Special Guardianship Orders and £111,000 supported accommodation for 16/17 year olds. These pressures were offset by increased use of better value placements to reduce expenditure on external fostering and residential placements (£329,000). Family Support staffing underspent by (£224,000) due to reduced use of agency staff. A Demand reserve of £420,000 was created at the start of the year for increases in numbers of children in care; however, it was not necessary to draw down on this reserve and £200,000 was added to it in year to mitigate against the risks of an increase in provision.

Education, Effectiveness and Participation

Key variations include project management costs for Day Nurseries and adjustments to senior posts within Universal Services £194,000 and an overspend of £107,000 in Day Nurseries due to reduced income and the use of agency staff. In addition, a contribution to reserves of £400,000 has been made to fund redundancy, reorganisation and running costs for the Organisational Transformation Programme.

These costs are offset by underspends across Children's Centres (£103,000), lower use of the Improvement Fund than anticipated (£132,000), an underspend on Home to College Transport following the introduction of eligibility changes (£102,000), an underspend on Short Breaks (£344,000) and a saving on recommissioned services of (£307,000). In addition, increased buy back of the Music Service (£88,000) and CAMHS staffing vacancies of (£65,000) combined with lower take up of Early Years Provision projects and workforce training (£126,000) further improved the service group position.

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Planning, Economy and Development

Urban Design was unable to achieve £56,000 of the income target. This was income previously chargeable to the Homes and Community Agency (HCA), but the transfer of the HCA development control function to the council meant this could no longer be achieved.

Development Management had additional legal costs of £56,000 from appeals and HIMO appeal costs awarded and an £88,000 shortfall in fee income. In Spatial Planning a number of studies and surveys that had been planned to take place during the year could not be carried out due to delays in the Core Strategy, saving (£76,000).

Restructuring of services resulted in pension strain and redundancy costs of £144,000 in Economic Development and £52,000 in Spatial Planning. This was partially offset by (£87,000) savings realised from the Planning Restructure.

Highways and Transportation

Energy costs in street lighting were £395,000 over the budget due to the delays in savings implementation together with the energy increase in October. Fees from charging capital projects were overachieved by (£165,000), although abortive costs from the Station Square capital project of £69,000 had to be recharged to revenue.

A provision of £143,000 was made in relation to the potential shortfall on the Secklow Gate insurance claim and £126,000 was spent on principal bridge inspections.

Concessionary fare reimbursement costs were £276,000 greater than budget due to increased ridership levels but there were savings on bus subsidies (£412,000) as a result of increased revenues; pursuing cross boundary income due from other authorities and savings on the contracts when they were tendered early in the year.

Community transport costs were (£67,000) less than budget and additional highways adoption income of (£260,000) was achieved.

Neighbourhood Services

Savings of £150,000 were planned in the budget for the introduction of a four day week in waste collection. This could not be achieved due to operational restrictions at depot, landfill and other sites. Savings of £100,000 were also planned from staffing on the Joint Waste Project which has since ceased.

These pressures are offset by Landfill tonnage savings of (£645,000), a reduction in Hazardous Waste tonnage (£93,000), a reduction in costs from the Carbon Reduction Commitment contract resultant from the new ways of working (£257,000) and additional income from the Materials Recycling Facility profit share of (£110,000).

A decrease in the amount of fleet hire of £131,000 meant the savings anticipated for increased trading account charges in Fleet were not achieved. In addition a £200,000 provision was made for potential liabilities arising from ongoing fleet investigations. Building services had £108,000 more pay costs than budgeted because of a change from

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temporary to permanent staff during the year. These costs were not fully recovered through income.

In Landscape, fleet costs were £242,000 more than budgeted and a reduction in salaries of (£295,000) from reduced Agency and Overtime usage was offset by contractor/professional services £411,000. Adoptions income has fallen significantly from previous years because of no residual land transfers from the HCA, income was £113,000 less than budget and Environmental Services Development under achieved its salary recovery by £120k.

Organisational Transformation Programme

Additional staffing costs required for the delivery of the Organisation Transformation Programme were partially funded from savings in supplies and services.

Corporate Core

There were a number of underspends in Democratic Services including (£119,000) on Member Services for salary cost savings, reduced transport and catering costs and savings on supplies and services.

In Local Elections there were savings of (£46,000) on staff costs due to the ability to charge costs against the Referendum, £100,000 was contributed to the Events Reserve and the Portfolio Office saved (£61,000) due to maternity leave and staff vacancies.

Variations between latest outturns and latest approved budgets are monitored on a monthly basis and are reported to Members throughout the year.

Further information on the overall financial performance of the council in 2011/12 is disclosed in the Comprehensive Income and Expenditure Statement and the notes to the Financial Statements.

Corporate Items

An opportunity to purchase Microsoft Office upgrades earlier than anticipated resulted in a cost of £550,000 in 2011/12, releasing savings for future financial years and avoiding price increases. There was also an additional contribution of £200,000 to the Redundancy and Reorganisation Reserve. Under accounting regulations the Council must provide for potential costs as at 31st March.

Debt Financing

The movement in debt financing was to provide for potential future treasury management cash flow costs linked to the ongoing discussions with the Homes and Communities Agency.

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b. Housing Revenue Account Outturn

The outturn position for the HRA shows an in year underspend of (£1.421m) at 31st March 2012.

Significant variations include (£798,000) net savings in repairs expenditure which offsets £252,000 reduction in rent due to longer re-let periods as a result of changes in the asbestos management process leading to a higher number of empty properties undergoing works.

Other notable savings include (£321,000) resulting from vacancies and restructuring, (£305,000) from release of uncommitted special services works budgets (block improvements, landscaping and cleaning), (£106,000) from capitalisation of building services (including WBT share), (£290,000) savings in utility costs from the milder winter, (£189,000) fall in debt charges and (£286,000) from anticipated recovery of leasehold service charge costs.

A deficit of £650,000 was recognised in the Leasehold Major Works Recharge account as the work carried out was less of for leaseholders and on communal areas than had been anticipated in the budget. Review of Leasehold bad debt reserves and budgets highlighted an excess of (£130,000) above current provision requirements and was released accordingly to part fund the leasehold major works recharge gap.

Services required for the Working Better Together programme incurred costs of £500,000. However, this resulted in a lower contribution to the Revenue Contributions to Capital Outlay Account, achieving a saving of (£190,000).

In 2011/12 an earmarked reserve of £310,000 was created within the HRA to fund the HRA element of demolition costs relating to three units at Waterside due to take place in 2012/13.

The level of HRA Reserve at the end of 2010/11 was £1,298,000 less than budgeted due to necessary additional contributions made towards MKC regeneration (CESP Community Energy Saving Programme) and major works capital projects. Therefore, overall, the underspend at 31st March 2012 was (£123,000). This results in the level of the reserve carry forward being (£5,511,000) compared to a budget of (£5,388,000) at 31st March 2012.

Further information on the overall financial performance of the Housing Revenue Account in 2011/12 is disclosed in the notes to the Supplementary Financial Statements.

c. Income from Grants, Local Tax Payers and Other Sources

The net budget requirement was financed from four main sources:

- Redistributed Non-Domestic Rates (£67.596m)
NNDR is the amount raised from businesses collected locally but re-distributed nationally;

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- Revenue Support Grant (RSG) (£20.894m)
RSG is one of the two main non-specific grants from central government;
- Early Intervention Grant (EIG) (£10.219m)
EIG is the other main non-specific grant from Central Government;
- Council Tax (£98.599m)
This is the means of raising money locally, based upon the value of domestic property and is adjusted for the previous year's surplus or deficit on collection.

In addition, some services receive specific grants, which are included in their separate budgets. There are conditions attached to many of these grants, which set out how, when and on what service or activity the grant may be spent.

Since 1st April 2007 Schools services have been funded through the Dedicated Schools Grant (DSG). For 2011/12 the council received £158.6m in DSG funding. This funding was previously provided through the RSG and NNDR.

A list of the grants the council received in 2011/12 can be found at note 17 to the Financial Statements.

2. PENSION LIABILITY

The council is a member of the Local Government Pension Scheme administered by Buckinghamshire County Council.

The council's financial statements in accordance with the proper accounting practice show a pension liability at 31st March 2012 of (£263.933m), which is an increase of (£121.768m) since 2010/11.

In practice, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit will be funded through reassessment of employer's contributions as a result of the three-yearly fund valuations by the actuary. This is done in accordance with the appropriate International Financial Reporting Standard (IAS) 19.

Full details of the Local Government Pension Scheme can be found in note 41 to the Financial Statements.

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3. MATERIAL OR UNUSUAL CHARGES OR CREDITS TO THE ACCOUNTS, ASSETS ACQUIRED OR LIABILITIES INCURRED

The following transactions are considered to be material or unusual charges or credits within the 2011/12 Statement of Accounts:

- a) The council's pension liability has increased by (£121.768m). Further details can be found in note 3 to the Foreword and the Local Government Pension Scheme note 41 to the Financial Statements.
- b) Major non-current asset disposals during the year include the transfer of the Tickford Park and Green Park Schools to Foundation status along with a parcel of land which should have been transferred when Walton High moved to Foundation Status. These transfers totalled £7.207m. Details of major non-current asset disposals can be found in note 3 to the Financial Statements.
- c) Milton Keynes Council has disclosed one item as exceptional in the Comprehensive Income and Expenditure Accounts for the HRA Self Financing Scheme due to the degree of prominence required to provide a fair view of the accounts. Details of this Exceptional item can be found in note 7 to the Financial Statements.

4. SIGNIFICANT CHANGE IN ACCOUNTING POLICY

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for Heritage assets held by the Council.

Heritage Assets are required to be recognised as a separate class of assets for the first time in the 2011/12 financial statements.

Previously, heritage assets were either recognised as community assets (at cost) in the Property, Plant and Equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets.

Full details of the Heritage Assets held by the council can be found in the Notes to the Financial Statements (Property, Plant and Equipment note 19).

5. BORROWING FACILITIES

During 2011/12 ten new Public Works Loan Board loans totalling (£170.360m) were taken out to fund the HRA Self-Financing settlement payment in order to exit the Housing Subsidy system (classified as capital expenditure).

Furthermore, one existing long term loan (£15.0m) was repaid upon maturity to the Public Works Loan Board during the year.

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At the end of the financial year the council had outstanding borrowing in respect of the funding of capital projects of (£455.950m) including accrued interest. Further details of the composition of this sum can be found in the note 28 to the Financial Statements.

It was not necessary during the year for the council to borrow temporary funds for cash flow purposes. Consequently, there were no temporary loans outstanding at 31st March 2012.

At the 31st March 2012, the council had £101.880m invested with various financial institutions, of this amount £2.233m has been classified as cash equivalents as per the Accounting Policy note 6.

6. INTERNAL AND EXTERNAL SOURCES OF FINANCE TO FUND CAPITAL EXPENDITURE PLANS AND FINANCIAL COMMITMENTS

The council's total capital expenditure for 2011/12 including amounts accrued for works completed but not paid for at 31st March 2012 was £35,056,000 (£62,719,000 in 2010/11).

The sources of finance to fund this expenditure included grants and contributions of £27,210,000 (£37,684,000 in 2010/11), supported borrowing of £4,242,000 (£14,956,000 in 2010/11). The balance of £3,604,000 (£10,079,000 in 2010/11) came from capital receipts, revenue contributions and finance leases.

Full details of capital expenditure and financing can be found in note 22 to the Financial Statements.

Capital commitments total £10,400,000 and include a new swimming pool and facilities at Wolverton swimming pool and a new Community Pavilion in Broughton. Full details of the council's capital commitments can be found in note 19 to the Financial Statements.

7. SIGNIFICANT PROVISIONS, CONTINGENCIES AND WRITE-OFFS

The Council has three significant provisions held on the Balance Sheet as at 31st March 2012:

- Heating and Utilities Provision – This has been set aside to cover the cost of potential refunds to sheltered area tenants and leaseholders in respect of over recovered utility costs;
- Overpaid Benefit Provision – The council has created this provision to meet the cost of any overpaid housing benefits currently recovered through a reduction in ongoing benefit payments, which become unrecoverable due to a change in tenant circumstances, and:

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- Secklow Gate Bridge - Following a fire under the bridge during 2010, a provision was created to account for the possibility that the third party insurance company would not pay the full costs incurred for the repair work.

Further details of the provisions can be found in Note 29 to the financial statements.

The council discloses a number of contingent gains and losses in note 40 to the financial statements. The most significant disclosure relates to the overage due to the council as and when properties built on the Radcliffe School land are sold.

There have been no significant write offs during 2011/12.

8. IMPACT OF CURRENT ECONOMIC CLIMATE

Two key areas affected by the economic downturn are housing asset valuations and a decline in the growth of the Council Tax base.

The reduction in Housing Asset Valuations was recognised in an 18.9% deflation adjustment to 2008/09 based upon Housing Price Index data for Milton Keynes. A review of the same data indicates that land values have stabilised and that no further adjustment is necessary for 2011/12.

The process for calculating the tax base for forthcoming years has been revised since 2009 to take prudent account of the decline in the level of house-building.

In addition, the level of balances held in both the General Fund and Housing Revenue Account are reviewed annually as part of the budget setting process to ensure that they are adequate to meet possible fluctuations in income and expenditure during the forthcoming year.

Reserves have been created to mitigate the possible impact of change programmes agreed by the council to meet shortfalls in funding or changes in government funding streams.

9. PROCUREMENT OF SERVICES

The council entered into a long term (twelve year) contract with Hyder Business Services (HBS), now trading as Mouchel Business Services, with effect from 1st January 2004 to provide a wide range of functions across eighteen service streams including Finance, Human Resources, IT, Revenues and Benefits. The council has retained a client/core team for these functions and a team has been created to monitor the overall performance of the contract.

Full details of all long term contracts, including further details of the contract with Mouchel, can be found in note 36 to the Financial Statements.

Statement of Auditors Opinion

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Statement of Auditors Opinion

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Statement of Responsibilities

THE COUNCIL'S RESPONSIBILITIES

The council is required:

- a) to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Chief Finance Officer;
- b) to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- c) to approve a statement of accounts.

On behalf of the council:

Councillor Brian White
Chair of the Audit Committee

2. THE RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER

The Chief Finance Officer is responsible for the preparation of the council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

In preparing this Statement of Accounts, the Chief Finance Officer has:

- a) selected suitable accounting policies and then applied them consistently;
- b) made judgements and estimates that were reasonable and prudent;
- c) complied with the Local Authority Code.

The Chief Finance Officer has also:

- a) kept proper accounting records which are up to date;
- b) taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts provides a true and fair view of the council's financial position of the authority at the reporting date, and of its income and expenditure for the year ended 31st March 2012.

Tim Hannam
Corporate Director - Resources
Date: XXth September 2012

Accounting Policies

1. GENERAL PRINCIPLES

The Statement of Accounts summarises the council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice (SeRCOP) 2011/12 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2011 Act.

The accounting policies have been applied consistently in dealing with items considered material to present a true and fair view of the financial position and transactions of the council.

2. ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the authority;
- Revenue from the provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the authority;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet;
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet;
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected;
- Payment of wages to weekly paid employees is included in the accounts on the basis of a 52-week year, except in the case of Homecare staff where wages have been accrued. This accounting treatment, other than in respect of Homecare staff, is not in accordance with the Code of Practice, although any difference is not considered material. Similarly, issues from the council's stores and all other internal recharging systems have been treated in the same way.

Accounting Policies

3. ACQUIRED AND DISCONTINUED OPERATIONS

IFRS5 defines a discontinued operation as a component of an entity that either has been disposed of or is classified as held for sale, and:

- represents either a separate major line of business or a geographical area of operations, and;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or;
- is a subsidiary acquired exclusively with a view to resale and the disposal involves loss of control.

The surplus or deficit on discontinuing the operation is presented as a single amount on the face of the Comprehensive Income and Expenditure Statement where applicable.

Detailed disclosure of revenue, expenses, surplus or deficit and related items is presented as a note to the Financial Statements where applicable, however, there were no operations discontinued or acquired during 2011/12 and therefore no disclosures are required.

4. BACK PAY ARISING FROM UNEQUAL PAY CLAIMS

The council has no current claims in respect of Equal Pay legislations, and therefore no provision has been made. However, the issue is disclosed as a contingent liability in Note 40 to the Financial Statements.

5. CAPITAL RECEIPTS

Receipts from the sale of assets are recorded in the accounts in accordance with normal accounting practice.

Under regulations introduced from April 2004 the council is required to pay a percentage of receipts from the sale of housing assets to the Department for Communities and Local Government. This percentage is 75% for dwellings and 50% for any other interest in housing land.

6. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments held for cash flow purposes that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Accounting Policies

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the council's cash management.

7. CHARGES TO REVENUE FOR THE USE OF NON-CURRENT ASSETS

Service revenue accounts and support services are debited with the following amounts for all fixed assets used in the provision of their services to record the real cost of holding those assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- Amortisation of intangible fixed assets attributable to the service.

The charge made to the Housing Revenue Account is calculated in accordance with the Item 8 Credit and Item 8 Debit (General) Determination 2011/12. In addition, in March 2012 the council completed the necessary transaction under the move to HRA Self Financing in 2012/13. This transaction was treated in accordance with guidance issued by CIPFA in LAAP Bulletin 92.

External interest payable is charged to the Finance and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

The council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations; however, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement calculated in accordance with statutory guidance. Depreciation, impairment and amortisations are therefore replaced by a revenue provision in the Movement in Reserves Statement so there is no impact on the level of Council Tax.

8. DONATED ASSETS

Donated assets transferred for nil consideration are recognised immediately at fair value as an asset on the Balance Sheet, unless any conditions of the transfer have not been met and the asset is credited to a Donated Assets Account.

Accounting Policies

9. EMPLOYEE BENEFITS

Short Term Employee Benefits Payable during Employment

Salaries, wages and employee related payments are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is recognised in the Financial Statements to the extent that employees are permitted to carry forward leave into the following period.

Untaken leave is accrued on the basis of actual leave untaken at 31st March 2012 for non-school staff and a calculation of the accrued benefit for schools staff based on the number of days in each term.

Employees are also entitled to flexi-time and any accrued hours at 31st March have been reflected in the accounts on the basis of actual hours accumulated by each employee.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Benefits are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Post Employment Benefits - Local Government Pension Scheme

Employees of the council are entitled to become members of one of two separate pension schemes according to the terms of their employment:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF);
- The Local Government Pension Scheme, administered by Buckinghamshire County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the council. The teachers' scheme is therefore accounted for as if it were a defined contributions scheme; no liability for future payments of benefits is recognised in the Balance Sheet and the Children and Education Services revenue account in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to teachers' pensions in the year.

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the Buckinghamshire pension scheme attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits

Accounting Policies

earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees).

Liabilities are discounted to their value at current prices, using a discount rate of 1.6% (1.3% real). The discount rate for pension's liabilities is calculated using the AA Corporate Bond Rate.

The assets of the Local Government Pension Fund attributable to the council are included in the Balance Sheet at their fair value:

- Quoted Securities – Current Bid Price;
- Unquoted Securities – Professional Estimate;
- Unitised Securities – Current Bid Price;
- Property – Market Value.

The change in the net pension's liability is analysed into seven components:

- Current Service Cost – the increase in liabilities as result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked;
- Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, charged to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid, charged to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement;
- Expected Return on Assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return, credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement;
- Gains/Losses on Settlements and Curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees, charged to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuary has updated its assumptions, shown as a gain or loss in the Other Comprehensive Income and Expenditure section of the Comprehensive Income and Expenditure Statement;
- Contributions paid to the Buckinghamshire Pension Fund – cash paid as employer's contributions to the pension fund.

The accounting treatment for pensions benefits is in accordance with International Financial Reporting Standard (IAS) 19. This is a complex accounting standard, but it is based on a simple principle – that the council has to account for accumulated retirement benefits earned at the Balance Sheet date, even if the actual benefits are paid out over many years into the future.

Accounting Policies

These policies reflect the council's commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund in year, not the amount calculated according to the relevant accounting standards. This means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

Full disclosures in respect of the Local Government Pension Scheme can be found in note 41 to the Financial Statements.

Discretionary Benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the event of any early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

10. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are defined as events, which could be favourable or unfavourable, that occur between the end of the reporting period and the date that the Financial Statements are authorised for issue.

Events can be classified as adjusting or non-adjusting, with definitions as follows:

- Adjusting - An event after the reporting period that provides further evidence of conditions that existed at the end of the reporting period, including an event that indicates that the going concern assumption in relation to the whole or part of the council is not appropriate;
- Non-Adjusting - An event which takes place after the reporting period that is indicative of a condition that arose after the end of the reporting period.

The council discloses details of any such events at Note 4 to the Financial Statements.

Accounting Policies

11. EXCEPTIONAL ITEMS AND PRIOR PERIOD ADJUSTMENTS

Exceptional items are included in the cost of the service to which they relate or on the face of the Comprehensive Income and Expenditure Statement if such a degree of prominence is required for a fair view of the accounts. A disclosure note is provided where the authority has any exceptional items in the Accounts.

Prior period adjustments that are the result of corrections and adjustments arising from the use of estimates inherent in the accounting process are adjusted in the accounts in the year that they are identified. However, prior period adjustments arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and notes and by adjusting the opening balance of reserves for the cumulative effect. Details of any Prior Period Adjustments are fully explained as a note to the accounts where applicable.

12. FINANCIAL INSTRUMENTS

Financial Liabilities:

Financial liabilities are initially measured at fair value and carried at amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and any accrued interest and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. Where a repurchase has taken place as part of the restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan, and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Movement in Reserves Statement, taken to or from the Financial Instrument Adjustment Account.

Accounting Policies

Debt Redemption:

The council sets aside a statutory amount each year from its General Fund revenue account for debt redemption, in the form of a Minimum Revenue Provision, as required by the Local Authority (Capital Finance and Accounting) regulations.

Minimum Revenue Provision

The council has charged 2011/12 statutory General Fund Minimum Revenue Provision (MRP) at 4% of the opening Capital Financing Requirement for all capital expenditure financed by borrowing incurred before 2008/09 and for all subsequent capital expenditure financed by supported borrowing. This is in line with Regulations implemented under the Local Government Act 2003.

These Regulations have been supplemented by statutory guidance issued alongside the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. The Regulations place a duty on local authorities to make a prudent provision for debt redemption. The guidance sets out four options for the calculation of a prudent provision, with the first two being available only for supported expenditure. The other two options set out the methods for accounting for self-financed borrowing. The MRP for self-financed capital expenditure incurred in 2008/09 and beyond is calculated in accordance with Option 3 under which MRP is made in equal instalments over the expected life of the asset.

The MRP calculation also provides for:

- the repayment of capitalisation directions issued by the Secretary of State in respect of expenditure incurred at Local Government Reorganisation; and
- an adjustment in respect of commuted payments made to or for the benefit of the council in 1992-1993.

The one exception to this is that where assets are purchased for future development and it is anticipated that future sale proceeds will offset the cost, the repayment of debt will be funded from future capital receipts. In such cases MRP will not be applied.

Additional Debt Redemption:

In accordance with the Local Government Act 2003, the council may also choose to further redeem its outstanding loan debt by means of:

- additional revenue contributions;
- use of capital receipts;
- use of the Major Repairs Allowance.

Debt Restructuring:

The council has, on occasions when satisfactory market conditions prevail, restructured certain long term loans with the Public Works Loan Board. This results in either a premium being paid or a discount received and these are written down in accordance with current legislation (currently the Local Authorities (Capital Finance and Accounting) (Amendment)

Accounting Policies

(England) Regulations 2007 (Statutory Instrument 2007 No. 573) as amended by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (Statutory Instrument 2008 No. 414)).

Financial Assets:

Financial Assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;
- Available for Sale Assets – assets that have a quoted market price and/or do not have fixed or determinable payments:
- Financial assets at fair value through profit or loss – assets classed as derivatives.

Loans and Receivables:

Loans and receivables are initially measured at fair value and carried at amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the loans the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and any accrued interest and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. Where interest relates to 2011/12 which has not been paid by the 31st March 2011 this amount has been accrued and can be seen as part of the borrowing repayment on demand or within excess of 12 months.

Available for sale assets:

The council does not hold any available for sale financial assets.

Impairment of Financial Assets:

Where assets are identified as being impaired because of a likelihood arising from a past event then the payment due under contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains or losses that arise on the derecognising of the asset are credited or debited to the Comprehensive Income and Expenditure Statement.

Accounting Policies

13. FOREIGN CURRENCY TRANSLATION

Where the authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where material amounts in foreign currency are outstanding at the year-end, they would be reconverted at the spot exchange rate at 31st March. Resulting gains or losses would be recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

However, in 2011/12 Foreign currency transactions of the council are not considered to be material.

14. GOVERNMENT GRANTS AND OTHER CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that:

- The authority will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (for attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income line (for non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grant Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Accounting Policies

15. HERITAGE AND COMMUNITY ASSETS

The council's collection of Heritage Assets is identified under the following categories:

- Historical Buildings & Archaeological Sites
- Museum & Archive Collections
- Arts Collection
- Civic Insignia

These are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

Heritage Assets acquired or constructed in 2011/12 are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the council's accounting policy on Property, Plant and Equipment.

However, the measurement bases in relation to each category of Heritage Assets held prior to 2011/12 are detailed below.

The accounting policies for Heritage Assets that are deemed to include elements of intangible heritage assets are also presented below.

The council's collection of Heritage Assets is accounted for as follows:

Historical Buildings & Archaeological Sites

The council owns a variety of Historical Buildings and Archaeological Sites. Many of these are 'designated heritage assets' e.g. scheduled ancient monuments, listed buildings or assets within conservation areas and are of national significance. In addition to this, there are others that are 'non-designated heritage assets', i.e. those which have a degree of significance meriting consideration in planning decisions but are of local significance rather than national.

The nature, scale and significance of these assets is not confined to a particular type or size and incorporates a range of listed buildings. Scheduled ancient monuments also involve a similarly broad range, including public infrastructure such as road bridges.

Historical Buildings and Archaeological Sites are assessed by the Property Services Department with regards to meeting the CIPFA Code of Practice definition of Heritage Assets and donated assets.

Insurance valuations are considered to establish whether their application would be appropriate and also whether a market value exists for each asset.

The council undertakes a valuation where the information is available and appropriate.

In most cases the council does not consider that comparable market value information can be obtained for its historical buildings and archaeological sites or that insurance valuations

Accounting Policies

can be used in order for values to be established. This is because of the nature of the assets held.

Museum & Archive Collections

The Museum collection consists of just less than 5,000 collection items and relates to the significant history of Milton Keynes from pre-historic to present day. The Museum collection is held at Buckinghamshire's County Museum.

The Archive collection consists of deposited council and predecessor collections which constitutes a rich archival history of the area. The archives are held at the Centre for Buckinghamshire Studies, Aylesbury.

The council currently adheres to the Collecting policies of Buckinghamshire County Museum and the Centre for Buckinghamshire Studies (County Archives) who collect on the council's behalf.

The council does not consider that reliable cost or valuation information can be obtained for its museum and archive collections and would involve a disproportionate cost in comparison to the benefits to the users of the council's financial statements. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently the council does not recognise the assets on the Balance Sheet.

Museum objects are usually donated and information is held at the Buckinghamshire County Museum. Archive material is generally deposited, not donated and relevant data is held on accession registers.

Arts Collection

The council's Public art collection is made up of in the region of 100 items of works of art. The collection includes sculptures, paintings, prints and artists designs integrated in public spaces and buildings.

Reliable cost or valuation information is not readily available, the council believes that obtaining valuations for these items requires significant investment and currently the cost is prohibitive. However, the council acknowledges the need for a valuation review and plans are in place to undertake this work in the future. Consequently the council does not recognise these assets on the balance sheet this financial year but wishes to do so in future years.

The council does not have any items in its arts collection which it can verify as being donated.

Civic Insignia

The council's Mayoral Insignia comprises assets which are pertinent to the council's position as a Borough i.e. chains of office for the Mayor, Deputy Mayor and respective consorts.

Accounting Policies

Reliable cost or valuation information is not readily available and the council believes that the costs involved in obtaining this information are not commensurate with the benefits to the users of the financial statements. Consequently the council does not recognise these assets on the balance sheet.

The council does not have any items in its civic Insignia collection which it can verify as being donated.

16. INSURANCE

To obtain insurance cover in the most cost effective manner the council arranges its insurance with a system of internal financing of claims (a substantial policy excess applies) and external cover with a recognised insurance market. Internal funds have been maintained to cover those claims that fall below the policy excess. These funds are based on the total potential liability that could accrue up to 31st March 2012. Some risks carry a lower policy excess and claims that fall below this amount are met from revenue as they arise.

External cover is provided by way of premiums paid to the council's Insurers. The nature of risks covered by the internal arrangements is shown below.

Risk	Maximum Cover per Claim
Employers Liability	£50,000 - Amounts in excess of this are covered externally.
Third Party	£50,000 - Amounts in excess of this are covered externally.
Fire Damage	£50,000 - Amounts in excess of this are covered externally.
Loss of School Contents	£50,000 - Amounts in excess of this are covered externally.
Cash Loss	The first £100 is met by the service concerned - amounts in excess of this are covered externally.
Loss of Computers	The first £100 is met by the service concerned - amounts in excess of this are covered externally.

17. INTANGIBLE FIXED ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the council (e.g. software licences) is capitalised when it will bring benefits to the council for more than one financial year.

All intangible assets are recognised if it is probable that the expected future benefits attributable to the asset will flow to the council. Internally generated assets are recognised where the required criteria are met in line with the International Financial Reporting Standards Code of Practice.

Accounting Policies

All Intangible Fixed Assets are included at historic cost and amortised on a straight line basis, over their economic lives from the year following acquisition. The economic lives are reviewed at the end of each reporting period and revised if necessary.

18. INTEREST IN COMPANIES

The Comprehensive Income and Expenditure Statement reflects all of the council's revenue activities. The Balance Sheet has been prepared by aggregating the account balances of all of the council's services and funds.

The council has considered whether or not Group Accounts should be prepared and has a significant interest in one company – Connect MK.

The council has no other material interest in companies or other entities that could be regarded as subsidiaries, associates or joint ventures. The council is invited to appoint Members to many entities of local, regional and national significance. These appointments have been examined; together with Members own declarations of interest, along with those of all Assistant Directors, Heads of Service and Corporate Leadership Team. No material reportable interests were identified. Minority interests in companies are detailed in note 37 to the Financial Statements.

Significant contractual relationships are also disclosed in note 36 to the Financial Statements.

19. INVENTORIES, WORK IN PROGRESS AND LONG TERM CONTRACTS

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the (First In, First Out/Weighted Average) costing formula.

Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the value of works and services received under the contract during the financial year.

Certain repair works undertaken by the council are rechargeable to private concerns and individuals. Incomplete works and works not yet recharged are accounted for at cost.

20. INVESTMENT PROPERTIES

Investment property is property (land or a building, or part of a building, or both) that is held solely to earn rentals or for capital appreciation or both.

An investment property is recognised as an asset when and only when:

Accounting Policies

- It is probable that the future economic benefits that are associated with the investment property will flow to the entity, and;
- The cost or fair value of the investment property can be measured reliably.

Investment properties are measured at cost initially. The cost of an investment property includes its purchase price, transaction costs and directly attributable expenditure. After initial recognition, investment properties are measured at fair value. The fair value of an investment property reflects market conditions at the Balance Sheet date. Investment properties are not depreciated but are revalued annually according to market conditions at the end of each year.

21. LANDFILL ALLOWANCE SCHEMES

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. In April 2005 it introduced a trading scheme, which allocates tradable landfill allowances.

The Landfill Allowances Trading Scheme gives rise to an asset for allowances held; grant income and a liability for actual BMW landfill usage.

Full details of the Landfill Allowances Trading Scheme can be found in Note 18 to the Financial Statements.

22. LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all of the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependant on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the Lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents (where applicable) are charged as expenses in the periods in which they are incurred.

Accounting Policies

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and;
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefiting from use of the leased property, plant and equipment. Charges are made on a straight line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant, equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of the disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and;
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Accounting Policies

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement.

The written off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

23. NON-CURRENT ASSETS HELD FOR SALE

Recognition and measurement:

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale.

For council assets to be classified as 'held for sale' strict criteria are met in line with the International Financial Reporting Standards (IFRS) Code of Practice:

- the asset is available for sale in its present condition;
- the sale is highly probable;
- the asset is being actively marketed for a sale price that is reasonable in relation to its current fair value;
- the sale is expected to qualify for recognition as a completed sale within one year of classification as held for sale and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Assets held for sale are measured at the lower of their carrying amount and fair value (market value) less costs to sell at initial reclassification and at the end of each reporting date. Depreciation is not charged on assets held for sale.

Accounting Policies

Where the definition of assets held for sale or investment property is not met by assets that are surplus to the service needs, the assets will be held as a 'surplus assets' under Property, Plant and Equipment.

24. OVERHEADS

The costs of both centrally and departmentally provided overheads (i.e. management and administration costs) and support services are fully recharged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2009 (SeRCOP) including an amount charged to Corporate and Democratic Core. These costs are apportioned using the most appropriate base including employee numbers, accommodation areas and gross or net service expenditure.

Corporate and Democratic Core is defined in the Service Reporting Code of Practice and consists of Democratic Representation and Management costs and Corporate Management costs.

The basis of allocations and apportionment of Support Services are as detailed below. The remaining areas were calculated on a time recording basis.

Support service	Allocation method
Audit	Gross income plus gross expenditure
Communications	80% internal: MKC Full Time Equivalents 20% external: Direct charge to Corporate and Democratic Core
Customer Service	MKC head count
Facilities	Floor space allocated across central buildings
Finance – Corporate Director	80% Corporate Democratic Core, 20% general finance
Finance - General	Time allocations
Health and Safety	MKC head count
Human Resources - Corporate	20% corporate democratic core, 80% general HR
Human Resources - General	MKC head count
IT general	PCs in use (as per IT inventory)
Procurement	Budgeted non-payroll expenditure for the year
Partnership	Public, Private & Partnership plus agreed/expected changes
Policy and Performance	20% Corporate and Democratic Core, 80% MKC head count

Accounting Policies

25. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment (PPE) are tangible assets (i.e. assets that have physical substance) and are held for use in the provision of services, or for administrative purposes, and are expected to be used for more than one period.

Recognition:

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides last for more than one financial year. Expenditure that secures but does not extend the previously assessed standard of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement:

Assets are carried in the Balance Sheet using the following measurement bases and with a guideline de minimis level of £10,000.

Infrastructure, community assets and assets under construction (excluding investment property) are measured at historical cost. All other classes of asset, including surplus assets, are measured at fair value. Specialist properties are valued using depreciated replacement cost. The fair value of council dwellings are measured using existing use value – social housing.

Assets included in the Balance Sheet at carrying amount are revalued where there have been material changes in the value, but as a minimum every five years.

Estimation Techniques

The accounting policy specifies the basis on which an item is measured. However, where there is uncertainty over the monetary amounts corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves the amount is arrived at using an estimation technique that most closely reflects the economic reality of the transaction.

Disposals:

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying amount of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. The usable proportion of Housing capital receipts is net of claw back payments to the Homes and Communities Agency on former Milton Keynes Development Corporation properties and net of amounts subject to pooling arrangements under the Local Government Act 2003. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can

Accounting Policies

then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Movement in Reserves Statement.

The net cost of disposals is not a charge against Council Tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Movement in Reserves Statement.

Impairment:

At the end of each reporting period an assessment is undertaken to determine whether there is any indication that assets may be impaired.

If any indication exists, the recoverable amount is estimated having regard to the concept of materiality in identifying whether the recoverable of any specific asset needs to be estimated.

All impairment losses on re-valued assets are recognised in the Revaluation Reserve up to the amount in the Revaluation Reserve for each respective asset. Any excess is charged to the relevant service revenue account in the Comprehensive Income and Expenditure Statement.

Impairment Losses and Revaluation Losses:

A clear distinction is made between impairment losses and revaluation losses.

Impairment losses are losses attributable to consumption of economic benefit or a fall in prices that are specific to an asset.

Revaluation losses are any related losses attributable to a general fall in prices that are not specific to an asset.

As with impairment losses, the relevant service revenue account will be charged when the balance on the Revaluation Reserve for any specific asset has been used in full against the relevant revaluation loss.

Depreciation:

Depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is provided in accordance with the following policy on all assets (except for investment properties) where, at the time of acquisition or revaluation, a finite useful life can be determined:

- a. Newly acquired assets are depreciated from the year following acquisition. Assets in the course of construction are not depreciated until they are brought into use;

Accounting Policies

- b. Depreciation is calculated by allocating the costs (or re-valued amounts), less the estimated residual value of the relevant assets, on a straight line basis over their useful economic lives. This is deemed to be the most appropriate method given the nature of the assets held by the Council;
- c. Depreciation is calculated on the opening balances. Transactions in year including additions and revaluations are not charged depreciation until the following year.
- d. The bases for calculating the lives of different classes of assets at acquisition are as follows:

PPE: Other Buildings, Community Assets and Surplus Assets	60 years life from the completion date.
PPE: Council Dwellings	Actual life of Right To Buy council dwelling. Shared Ownership Dwellings not depreciated
PPE: Vehicles, Plant and Equipment	Varies from 3 to 40 years according to the estimated life of each asset.
PPE: Infrastructure	40 years in respect of highways, 20 years for other assets.
Investment Properties	Not depreciated.
Assets Held for Sale	Not depreciated.
Land	Not depreciated.

- The useful lives of assets are reviewed regularly. Where necessary, the life of an asset is revised and the carrying amount of the asset is then depreciated over the remaining useful life;
- Council dwellings – for Right to Buy council dwellings depreciation is calculated on an actual life basis. No depreciation is charged on shared ownership dwellings.
- Revaluation gains are also depreciated. An amount equal to the difference between current value depreciation actually charged on assets and the depreciation that would have been charged based on their historical cost is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Revaluation Reserve:

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation when it was created with a zero balance. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Componentisation:

Where an item of Plant, Property and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Accounting Policies

Asset groups have been identified for property (building) assets which categorise assets with similar characteristics into relevant groups for their potential impact on depreciation calculations.

The average net book value (NBV) of each property (building) asset group has been used to set the de minimis threshold level as the table below illustrates.

Materiality Table for Componentisation

Average NBV of Asset Group:	De-minimis Threshold
Under £500k	£500k
Between £500K - £1.0m	£1.0m
Between £1.0M - £1.5m	£1.5m
Between £1.5M - £2.0m	£2.0m

The average NBV of each asset group has been compared with the materiality table to identify the relevant de-minimis level.

The de-minimis level of each asset group will be reviewed annually.

Some specialist property sites have been assessed by using their individual net book values as their materiality level.

Property assets which are identified for review by the valuer are assessed in relation to three types of component with useful lives as follows:

Type of Property Component	Component Useful Life
Structure of Building	Normally 60 years
Mechanical and Electrical	25 years
Externals	Normally 60 years

A component is considered to be significant if it is more than 10% of the total cost of the property asset (building).

Accounting Policies

26. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

The Carbon Reduction Commitment Scheme

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31st March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

Landfill Allowances Scheme

Landfill Allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

Accounting Policies

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

27. RESERVES

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets (Revaluation Reserve and Capital Adjustment Account) and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies below and note 30 to the Financial Statements.

Accounting Policies

28. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provision but does not result in the creation of a non current asset is charged as expenditure to the relevant service revenue account in the Comprehensive Income and Expenditure Statement in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax. Types of expenditure in this category include improvement grants to owner-occupiers to improve the quality of the housing stock in the area.

29. VAT

Income and expenditure excludes any amounts related to Value Added Tax (VAT), as all VAT collected is payable to Her Majesty's Revenue and Customs (HMRC) and all VAT paid is recoverable from it.

Where VAT is not recoverable, it is charged to the appropriate service within the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

2011/12	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Schools Balances Reserve £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2011	(7,014)	(18,095)	(9,152)	(3,566)	(4,528)	0	(20,233)	(4,728)	(67,316)	(523,567)	(590,883)
Surplus or (Deficit) on Provision of Services (Accounting Basis)	(12,796)	0	0	184,423	0	0	0	0	171,627	0	171,627
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	0	106,348	106,348
Total Comprehensive Expenditure and Income	(12,796)	0	0	184,423	0	0	0	0	171,627	106,348	277,975
Adjustments between Accounting Basis & Funding Basis under Regulations (Note 5)	1,185	0	0	(186,408)	0	0	(12,260)	(23)	(197,506)	199,465	1,959
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(11,611)	0	0	(1,985)	0	0	(12,260)	(23)	(25,879)	305,813	279,934
Transfers (to) / from Earmarked Reserves (Note 6)	9,829	(8,096)	(1,603)	40	(40)	0	0	(130)	0	0	0
(Increase) / Decrease in Year	(1,782)	(8,096)	(1,603)	(1,945)	(40)	0	(12,260)	(153)	(25,879)	305,813	279,934
Balance at 31 March 2012	(8,796)	(26,191)	(10,755)	(5,511)	(4,568)	0	(32,493)	(4,881)	(93,195)	(217,754)	(310,949)

Movement in Reserves Statement

2010/11	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Schools Balances Reserve £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2010	(7,018)	(13,838)	(9,585)	(6,058)	(2,095)	0	(14,972)	(5,362)	(58,928)	(543,755)	(602,683)
Surplus or (Deficit) on Provision of Services (Accounting Basis)	(31,714)	0	0	134,281	0	0	0	0	102,567	0	102,567
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	0	(92,726)	(92,726)
Total Comprehensive Expenditure and Income	(31,714)	0	0	134,281	0	0	0	0	102,567	(92,726)	9,841
Adjustments between Accounting Basis & Funding Basis under Regulations (Note 5)	27,846	0	0	(134,222)	0	0	(5,261)	682	(110,955)	112,914	1,959
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(3,868)	0	0	59	0	0	(5,261)	682	(8,388)	20,188	11,800
Transfers (to) / from Earmarked Reserves (Note 6)	3,872	(4,257)	433	2,433	(2,433)	0	0	(48)	0	0	0
(Increase) / Decrease in Year	4	(4,257)	433	2,492	(2,433)	0	(5,261)	634	(8,388)	20,188	11,800
Balance at 31 March 2011	(7,014)	(18,095)	(9,152)	(3,566)	(4,528)	0	(20,233)	(4,728)	(67,316)	(523,567)	(590,883)

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

31 March 2011			31 March 2012			
Gross Exp £'000	Gross Income £'000	Net Exp £'000	Gross Exp £'000	Gross Income £'000	Net Exp £'000	Note
77,822	(21,823)	55,999	74,609	(19,968)	54,641	
32,487	(21,976)	10,511	26,103	(20,139)	5,964	
324,928	(249,355)	75,573	263,925	(198,389)	65,536	
25,632	(2,598)	23,034	18,262	(2,313)	15,949	
29,533	(4,730)	24,803	29,225	(4,141)	25,084	
29,877	(13,575)	16,302	30,446	(16,180)	14,266	
101,278	(95,098)	6,180	112,058	(101,584)	10,474	
47,987	(50,673)	(2,686)	61,286	(51,466)	9,820	
10,603	(5,319)	5,284	8,860	(7,742)	1,118	
0	0	0	170,360	0	170,360	
134,487	0	134,487	0	0	0	7
0	(56,331)	(56,331)	0	0	0	
625	0	625	0	0	0	
815,259	(521,478)	293,781	795,134	(421,922)	373,212	
Cost of Services						
Other Operating Expenditure						
					4,997	
					439	
					458	
					7,426	
		15,881			13,320	
Financing and Investment Income and Expenditure						
					15,477	
					(1,797)	
					(679)	8
					2,739	41
		23,799			15,740	
0 Surplus or Deficit on Discontinued Operations						
Taxation and Non-Specific Grant Income						
					(98,599)	17
					(67,596)	17
					(27,166)	17
					(37,284)	17
		(230,894)			(230,645)	
		102,567			171,627	
					(11,252)	30
					117,600	41
		(92,726)			106,348	
		9,841			277,975	
Total Comprehensive Income and Expenditure						

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2011 £'000		Note	31 March 2012 £'000
973,322	Property, Plant & Equipment	19	954,634
0	Heritage Assets	20	12
20,132	Investment Property	21	20,283
3,091	Intangible Assets	23	2,385
5,000	Long Term Investments	34	10,000
572	Long Term Debtors	25	897
1,002,117	Long Term Assets		988,211
67,433	Short Term Investments	34	89,647
907	Assets held for sale	24	733
869	Inventories and Work in Progress	26	347
68,650	Short Term Debtors	25	58,872
9,593	Cash and Cash Equivalents	31	2,872
147,452	Current Assets		152,471
(18,374)	Bank Overdraft	31	(10,853)
(17,353)	Short Term Borrowing	28	(17,386)
(54,584)	Short Term Creditors	27	(53,533)
(551)	Short Term Provisions	29	(1,097)
(5,482)	Short Term Capital Grants & Contributions Receipts in Advance	17	(5,816)
(9,867)	Short Term Revenue Grants & Contributions Receipts in Advance	17	(10,817)
(106,211)	Current Liabilities		(99,502)
(1,380)	Long Term Provisions	29	(1,379)
(283,204)	Long Term Borrowing	28	(438,564)
(5,465)	Other Long Term Liabilities	35	(4,163)
(142,165)	Liability Related to Defined Benefit Pension Scheme	41	(263,933)
(1,120)	Long Term Capital Grants & Contributions Receipts in Advance	17	(695)
(19,141)	Long Term Revenue Grants & Contributions Receipts in Advance		(21,497)
(452,475)	Long Term Liabilities		(730,231)
590,883	Net Assets		310,949
67,316	Usable Reserves	30	93,195
523,567	Unusable Reserves	30	217,754
590,883	Total Reserves		310,949

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2010/11 £'000		2011/12 £'000
102,567	Net (surplus) or deficit on the provision of services	171,627
(127,109)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(25,338)
(306)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(453)
(24,848)	Net Cash flow from Operating Activities (Note 32)	145,836
	<u>Investing Activities</u>	
63,007	Purchase of Property, Plant & Equipment, Investing Properties and Intangible Fixed Assets	29,171
67,287	Purchase of short-term and long-term investments	94,173
878	Other payments for investing activities	458
(10,165)	Proceeds of Property, Plant & Equipment, Investing Properties and Intangible Fixed Assets	(1,484)
(60,240)	Proceeds of short-term and long-term investments	(67,173)
(32,832)	Other receipts from investing activities	(48,331)
27,935	Net cash flows from investing activities	6,814
	<u>Financing Activities</u>	
0	Cash receipts of short and long-term borrowing	(170,360)
(1,319)	Other receipts from financing activities	(348)
0	Cash payments for the reduction of the outstanding liability relating to finance leases and on Balance Sheet PFI Contracts	0
0	Repayment of short and long-term borrowing	15,000
2,226	Other payments for financing activities	2,258
907	Net cash flows from financing activities	(153,450)
3,994	Net (increase) or decrease in cash and cash equivalents	(800)
4,787	Cash and cash equivalents at the beginning of the reporting period	8,781
8,781	Cash and cash equivalents at the end of the reporting period (Note 31)	7,981

Notes to the Accounts

1. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

The Code of Practice requires authorities to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code.

In October 2010, IFRS7 Financial Instruments: Disclosures (Transfers of Financial Assets) was issued and resulted in a change in accounting policy that will apply from 1st April 2012.

The objective of the amendment is to provide users of financial statements with information to help them to evaluate the exposure to risk related to transfers of financial assets, and the effect of those risks on an entity's financial position.

It is not anticipated that this amendment to the standard will have a significant impact on the council's financial statements for 2012/13.

2. ASSUMPTIONS ABOUT THE FUTURE, OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the application of the council's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period, but will be reflected in both the period in which the revision takes place and future periods should the revision also have an impact on future periods.

Critical Judgements

There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Estimation Uncertainty

The authority is required to disclose details of all key estimations and assumptions made within the accounts that could result in an uncertainty and could have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Notes to the Accounts

Identification of items likely to be compiled using estimates

The accounts are compiled in accordance with statutory guidance for both revenue and capital, and this directs attention to those items that require estimation.

In addition, there are a number of controls in place which ensure that accounting estimates are identified and applied where necessary.

The Financial Procedure Rules underpin the Financial Regulations and both documents provide the framework for the financial administration of the council and set out the processes that need to be followed to ensure that sound financial management is maintained, expenditure and income are properly accounted for during the year and that where necessary, estimations are applied.

During the course of the financial year, no circumstances have given rise to the need for the authority to review or compile new accounting estimates of a significant nature, although new provisions for liabilities have been created and these are discussed in greater detail below.

The main accounting estimates in application along with the degree of associated estimation uncertainty are as follows:

Contingent Assets and Liabilities

A contingent asset or liability arises where an event has taken place that gives the authority a possible asset or liability whose existence can only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets and liabilities do not result in a carrying value on the Balance Sheet and for this reason, there is no possibility of a material mis-statement within the accounts as a result of a change in circumstances.

Details of each contingent asset or liability is provided in note 40 to the Financial Statements.

Defined Benefit Pension Scheme

The council participates in the Local Government Pension Scheme (LGPS) which is administered by Buckinghamshire County Council.

The disclosures provided within the Statement of Accounts are taken from the annual Actuary report, provided by Barnett Waddingham and full details of the scheme can be found in note 41 to the Financial Statements.

Long Term Obligations under a Public Private Partnership

On 1st January 2004, the council entered into a twelve year contract with HBS, now trading as Mouchel Business Services Ltd. Full details of this arrangement are provided in note 36 to the Financial Statements (Long Term Contracts).

Notes to the Accounts

Landfill Allowance Liability

The estimated liability is based upon actual tonnages used in Performance Indicator data for the period of April to December 2011 and multiplied against a profile to calculate the estimate for the year. From this, the liability in tonnage for the year is calculated.

This liability is then valued using the average price of a Landfill Allowance Trading Scheme (LATS) permit based upon the valuation provided by DEFRA. Each year the liability is recalculated using the same process. This is always discharged once the final tonnage figures are confirmed in September of each following financial year.

Full details of the scheme can be found in note 18 to the Financial Statements.

Annual Leave and Flexi time Accrual

The cost of annual leave and flexi-time entitlement earned but not taken by employees at the end of the reporting period is recognised in the Financial Statements based on actual leave and flexi-time balances at the 31st March 2012.

In respect of schools staff, who do not receive an annual leave or flexi-time allowance, the calculation of benefits due in 2011/12 is based on the number of days in each term.

The Accumulated Absence Account can be found in note 30 to the Financial Statements.

Provisions

A provision is created or maintained where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, and where a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed on an annual basis, using a best estimate of expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Full details of each provision including the basis of estimation applied are provided in note 29 to the Financial Statements.

Allowance for Non-Payment of Debt

The council maintains an allowance for the non-payment of debts in order to ensure that there are sufficient funds available to meet the future cost of any debt that is uncollectible.

The value of the allowance is calculated based on a review of all debts and a judgement of the probability of collection for each. Most categories of Local Authority debt are not subject to substantial fluctuation and past experience can be used within material limits to judge the percentage of debt that may not be recovered.

The council evaluates each debt or category of debt by considering any significant financial difficulty for the borrower, any breach of contract or default, any concessions granted by the authority based on difficulty for the borrower, the likelihood of the borrower

Notes to the Accounts

entering bankruptcy and any observable data indicating a measurable decrease in future estimated cash flows.

Property, Plant and Equipment and Investment Properties

The basis of Property, Plant and Equipment valuation is determined according to the guidance within the International Financial reporting Standards Code of Practice and also guidance set out in the Royal Institution of Chartered Surveyors Red Book.

The Statement of Accounts contains comprehensive disclosures in respect of Property Plant and Equipment. Full details of the basis of valuation can be found in Accounting Policy note 25, and non-current asset values are provided in note 19 to the Financial Statements.

Finance lease liabilities

The key judgement involved in the calculation of the liability resulting from finance leases is that of the useful life of each leased asset. In order to establish the useful life, service users are asked to confirm the useful life remaining and where any uncertainty exists, leasing advisors are consulted.

Full details of the council's lease arrangements can be found in note 35 to the Financial Statements.

Measurement of Financial Instrument Fair Values

Borrowing and investments are estimated based on fair value. The calculation is based on net present value which is an estimate of the value of payments due in the future in today's terms.

Balances for borrowings and investments are carried on the Balance Sheet at amortised cost. Fair values are supplied as a note to the Financial Instrument disclosures.

Financial Instrument disclosures can be found in note 34 to the Financial Statements.

Notes to the Accounts

3. MATERIAL ITEMS OF INCOME AND EXPENSE

The following significant gains and losses are reflected within the 2011/12 accounts:

	Total (Gain)/Loss £'000	Note
Disposals of Items of Property, Plant & Equipment:		
Green Park and Tickford Park Schools and Land Adjacent to Walton High	7,207	i
Other Minor Disposals	219	
Total (Gain)/Loss on Disposal of Non-Current Assets	7,426	

Notes:

- i. Green Park and Tickford Park Schools gained foundation status in year. The Land adjacent to Walton High School was not previously transferred when the School transferred to Foundation status.

There has been no reversal of unused provisions in 2011/12.

4. MATERIAL EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Corporate Director Resources on XXth September 2012. Events taking place after this date are not reflected in the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2012, the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information.

Longrigg and Caldecotte Education Centres

On 1st April 2012, the services provided at the Longrigg Outdoor Education Centre and the Caldecotte Centre were transferred to Action for Youth to continue with the provision of the services. The assets (property and equipment) will be transferred to Action for Youth at a value of £1 following completion of the legal transfer in 2012/13.

The combined value of the assets reported as part of the council's Balance Sheet at 31st March 2012 was £1.102m and these will be written out of the Balance Sheet during 2012/13.

The Gatehouse School

On 1st April 2012, the Gatehouse School closed and became the Stephenson Academy. The assets (property and equipment) were transferred to the Academy on 1st April 2012 at nil value.

Notes to the Accounts

The value of the school reported as part of the council's Balance Sheet at 31st March 2012 was £2.753m and will be written out of the Balance Sheet during 2012/13.

Fenny Lock Travellers Site

At a meeting of Full Council on 18th April 2012, it was decided that work on the Fenny Lock Travellers Site development should cease. The costs incurred in developing the site prior to this decision are held in the Balance Sheet as Assets under Construction at a value of £547,000. This balance will be written out of the Balance Sheet during 2012/13.

Calverton Travellers Site

The build of the traveller's site at Calverton generated a cost overrun of approximately £147,000 and resulted in a dispute between the council and the company responsible for the project management of the development.

Following adjudication on 3rd May 2012, the council was awarded £370,000 to be paid by the company by 17th May 2012. This receipt will be treated as income in 2012/13.

5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid, out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year. The balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The authority is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied

Notes to the Accounts

to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

The Capital Receipts Reserve balance is broken down as follows:

2010/11 £'000		2011/12 £'000
(5,362)	Balance at 1 April	(4,728)
(10,135)	Capital Receipts in year from Sale of Assets	(1,326)
(8)	Capital Receipts in year from Repayments of Advances	(28)
(22)	Other Capital Receipts in year	(102)
(15,527)		(6,184)
	<u>Less:</u>	
1,661	Capital Receipts applied to finance capital expenditure	6,683
8,260	Deferred Capital Receipts in year from Sale of Assets	(5,838)
878	Statutory Pooling	458
10,799		1,303
(4,728)	Balance at 31 March	(4,881)

Capital Grants Unapplied Reserve

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet capital expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place. The balance can be analysed as follows:

	General Fund £'000	HRA £'000	Total £'000
Balance at 1 April 2011	(20,231)	(2)	(20,233)
Government Grants	(12,221)	0	(12,221)
Third Party Contributions	(41)	2	(39)
Balance at 31 March 2012	(32,493)	0	(32,493)

Notes to the Accounts

2011/12	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Usable Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(18,924)	(23,949)	0	0	0	42,873
Revaluation Losses on Property, Plant and Equipment	(6,739)	(1,160)	0	0	0	7,899
Movements in the market value of Investments	150	0	0	0	0	(150)
Amortisation of intangible fixed assets	(695)	(22)	0	0	0	717
Capital grants and contributions applied	0	0	0	0	14,906	(14,906)
Revenue Expenditure Funded from Capital Under Statute	(1,611)	7	0	0	0	1,604
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(7,438)	(1,313)	0	0	0	8,751
Use of the Major Repairs Reserve to finance new capital expenditure	0	8,092	0	0	0	(8,092)
HRA Self Financing	0	(170,360)	0	0	0	170,360
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	10,848	96	0	0	0	(10,944)
Capital expenditure charged against the General Fund and HRA balance	499	1,176	0	0	0	(1,675)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	27,166	0	0	0	(27,166)	0

Notes to the Accounts

2011/12	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Usable Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	124	1,202	(1,326)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	6,683	0	0	(6,683)
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	(458)	0	458	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(5,838)	0	0	5,838
Adjustments Primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	(8,092)	0	8,092	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	8,092	0	(8,092)	0	0
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(7)	(16)	0	0	0	23
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(18,308)	(579)	0	0	0	18,887
Employers pensions contributions and direct payments to pensioners payable in year	14,268	451	0	0	0	(14,719)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	335	0	0	0	0	(335)

Notes to the Accounts

	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance £'000	Housing Revenue Account £'000	Usable Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	£'000
2011/12						
Adjustment primarily involving the Accumulated Absences Account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	16	(33)	0	0	0	17
Adjustments in respect of Local Government Reorganisation: Voluntary additional payment of LGR Debt	1,959	0	0	0	0	0
Total Adjustments	1,185	(186,408)	(23)	0	(12,260)	199,465

Notes to the Accounts

2010/11 Comparators

Adjustments primarily involving the Capital Adjustment Account:

Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement

	General Fund Balance £'000	Housing Revenue Account £'000	Usable Reserves		Movement in Unusable Reserves £'000
	£'000	£'000	Usable Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	£'000
Charges for depreciation and impairment of non-current assets	(23,865)	(8,583)	0	0	32,448
Revaluation Losses on Property, Plant and Equipment	(3,767)	(134,878)	0	0	138,645
Amortisation of intangible fixed assets	(743)	(25)	0	0	768
Capital grants and contributions applied	0	0	0	25,236	(25,236)
Revenue Expenditure Funded from Capital Under Statute	(10,322)	(22)	0	0	10,344
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(18,881)	(943)	0	0	19,824
Use of the Major Repairs Reserve to finance new capital expenditure	0	4,897	0	0	(4,897)

Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement

Minimum Revenue Provision	10,421	0	0	0	(10,421)
Capital expenditure charged against the General Fund and HRA balance	217	3,132	0	0	(3,349)

Adjustments primarily involving the Capital Grants Unapplied Account:

Capital grants unapplied transferred to the Capital Grants Unapplied Account where grant conditions have been satisfied	30,497	0	0	(30,497)	0
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Notes to the Accounts

2010/11 Comparators	Usable Reserves				
	General Fund Balance £'000	Housing Revenue Account £'000	Usable Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	8,935	1,175	(10,110)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	1,661	0	(1,660)
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	(878)	0	878	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	8,253	0	(8,253)
Adjustments primarily involving the Financial Instruments Adjustment Account					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(7)	(43)	0	0	50
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	17,489	553	0	0	(18,042)
Employers pensions contributions and direct payments to pensioners payable in year	15,281	483	0	0	(15,764)
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,349	0	0	0	(1,349)
Adjustment primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	162	32	0	0	(194)
Adjustments in respect of Local Government Reorganisation:					
Voluntary additional payment of LGR Debt	1,959	0	0	0	0
Total Adjustments	27,846	(134,223)	681	(5,262)	112,913

Notes to the Accounts

6. TRANSFERS TO/ FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and Housing Revenue Account balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts transferred from Earmarked Reserves to meet General Fund and Housing Revenue Account expenditure in 2011/12.

	Balance at 31 March 2010 £'000	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	Balance at 31 March 2011 £'000	Transfers Out 2011/12 £'000	Transfers In 2011/12 £'000	Balance at 31 March 2012 £'000
General Fund							
Schools Balances	(9,585)	433	0	(9,152)	0	(1,603)	(10,755)
Allow for Non-Payment of Debt Reserve	(748)	523	0	(225)	170	(171)	(226)
Building Asset Renewal Reserve	0	0	(1,250)	(1,250)	0	(21)	(1,271)
SALIX Reserve	(500)	74	0	(426)	426	(500)	(500)
Repairs & Renewals Reserve	(347)	0	0	(347)	0	0	(347)
Budget Rollovers Reserve	(1,686)	69	0	(1,617)	804	(1,356)	(2,169)
Planning Gains Reserve	(1,666)	0	(137)	(1,803)	614	(933)	(2,122)
Benefit Subsidy Reserve	(579)	217	0	(362)	429	(525)	(458)
Insurance Reserve	(3,059)	712	0	(2,347)	1,069	(398)	(1,676)
Debt Financing Reserve	(471)	0	(77)	(548)	0	0	(548)
Lease Rental Equalisation Reserve	(49)	0	0	(49)	0	0	(49)
Saxon Court Dilapidation Reserve	(200)	0	(200)	(400)	0	(300)	(700)
Revenue Financing Reserve	(292)	0	(209)	(501)	0	(1)	(502)
One-Off Expenditure Reserve	(325)	0	(1,619)	(1,944)	1,783	(1,763)	(1,924)
New Homes Bonus	0	0	0	0	0	(2,873)	(2,873)
CCTV Reserve	(101)	0	0	(101)	0	(54)	(155)
Landfill Allowances Reserve	(123)	0	(66)	(189)	66	(46)	(169)
Car Parking Surplus	(311)	0	(144)	(455)	143	(478)	(790)
Radcliffe Reserve	0	0	(1,575)	(1,575)	1,063	0	(512)
Redundancy & Reorganisation Reserve	0	0	(588)	(588)	390	(1,006)	(1,204)
Strategic Restructuring Reserve	0	0	0	0	222	(984)	(762)
Value for Money Reserve	(1,560)	21	0	(1,539)	19	0	(1,520)
Adult Social Care Reserve	(200)	0	(450)	(650)	0	(200)	(850)
Children Demand Reserve	0	0	(462)	(462)	17	(200)	(645)
Corporate Property Reserve	0	0	0	0	0	(500)	(500)
NNDR Funding Volatility Reserve	0	0	0	0	0	(748)	(748)
Legal Fees Reserve	0	0	0	0	0	(700)	(700)
HCA Asset Reserve	0	0	0	0	0	(530)	(530)
Economic Development Reserve	0	0	0	0	0	(400)	(400)
Other Earmarked Reserves	(1,394)	822	0	(572)	730	(1,362)	(1,204)
Capital Reserve - General Fund	(227)	82	0	(145)	6	0	(139)
Total General Fund Earmarked Reserves	(23,423)	2,953	(6,777)	(27,247)	7,951	(17,652)	(36,948)
Allow for Non-Payment of Debt Reserve	(1,147)	400	0	(747)	186	0	(561)
Other Earmarked Reserves	(292)	192	0	(100)	0	(410)	(510)
Capital Reserve - HRA	(656)	0	(3,025)	(3,681)	184	0	(3,497)
Total HRA Earmarked Reserves	(2,095)	592	(3,025)	(4,528)	370	(410)	(4,568)
Total Earmarked Reserves	(25,518)	3,545	(9,802)	(31,775)	8,321	(18,062)	(41,516)

Notes to the Accounts

The nature and purpose of these reserves is as follows:

Schools Balances

The sums in the table below represent the reserves built up by schools from their delegated budgets. They are ring fenced for use by schools and are not therefore available to the council for general use.

31 Mar 2011 Net £'000		Surplus £'000	31 March 2012 Deficit £'000	Net £'000
(81)	Nursery	(172)	0	(172)
(6,662)	Primary	(8,119)	0	(8,119)
(195)	Secondary	(120)	0	(120)
(313)	Special	(725)	42	(683)
<u>(7,251)</u>		<u>(9,136)</u>	<u>42</u>	<u>(9,094)</u>
(1,901)	Foundation	(1,661)	0	(1,661)
<u>(9,152)</u>	Total Schools Balance	<u>(10,797)</u>	<u>42</u>	<u>(10,755)</u>

Allowance for Non-Payment of Debt Reserve

Local Authorities are required to calculate an allowance for impairment on loans and receivables in place of the Bad Debt Provision used in previous years.

The allowance is calculated on an incurred losses basis, and this has resulted in a lower sum than was previously recognised in the Balance Sheet.

The Code of Practice states that authorities are able to create an Earmarked Reserve where material differences exist between the Bad Debt Provision and the new Allowance for Non-Payment of debt.

A project is ongoing to review all aged debt, and this reserve will be used to offset the cost to the council of any resulting write-offs.

Building Asset Renewal Reserve

The purpose of this reserve is to recognise that there are a number of Building Assets held by Milton Keynes Council which require funds for their upkeep. The reserve recognises that to fulfil responsibilities as a property owner, funds need to be set aside to avoid adverse impact on the General Fund.

SALIX Reserve

The SALIX Reserve holds funding for carbon management schemes. The council has agreed to establish and operate a local fund to assist in reducing energy use within its boundary through the uptake of energy saving and renewable energy technologies. The

Notes to the Accounts

reserve holds the funding received from SALIX and the match funding put into the local fund by the council as outlined in the terms of the funding agreement.

Repairs and Renewals Reserve

Bradwell Abbey - The reserve is held to ensure, firstly, that the council's obligations in respect of Bradwell Abbey are appropriately funded and, secondly, that a contingency fund is built to fund anticipated periodic major expenditure on the fabric of this historic building. The reserve is accessed by the budget holder in response to approved requests from the City Discovery Centre for payment of necessary repairs/improvements.

Footpaths - This reserve holds monies received from developers for improvements on footpaths within Fishermead.

Budget Rollovers Reserve

This reserve represents monies which are rolled forward and set aside to fund specific projects in future years. They are assessed each year to ensure that the funding is necessary and that the relevant project is still required.

Planning Gains Reserve

The purpose of a planning obligation is to address the impact arising from a proposed development and to require the landowner to undertake measures to make the planning application acceptable to the local planning authority. The council can negotiate planning gains from developers where a need is identified for infrastructure and facilities, which arises from the new development. Therefore, there is a direct relationship between the impact on the local infrastructure created by the new development and what the council should be seeking.

The planning gains identified are, in almost every case, linked to a specific parish or area within the council where a main development has taken place. The purposes stated for the use of such gains range from general use (e.g. improvements to physical or social infrastructure) to somewhat more specific requirements such as provision of public artwork. In a few instances, the use can cover a wide area for example public access or transport initiatives.

Benefit Subsidy Reserve

This reserve was set up to cover potential liabilities resulting from possible over-claimed benefit subsidies identified in the audit of such claims. The reserve covers the potential of having the 100% subsidy incentive on LA error overpayments above the lower threshold raised in the 2010/11 claim being clawed back. The Benefits Service has hit the lower threshold levels of LA error overpayments, which means that a 100% subsidy can be claimed on these overpayments. The subsidy claim will be audited from June 2011 (with a deadline for submission of the audited claim at the end of November). Eighty cases are checked in detail on the subsidy audit. If one case is found to be coded incorrectly (i.e. coded as Claimant error and should have been LA error), the Audit Commission will ask the council to do further testing. Dependent upon the results of further testing there is a potential for the error to be extrapolated. If the extrapolation then brings the level of LA

Notes to the Accounts

error overpayments above the thresholds, then there is potential for 100% of the incentive (at worst) and 40% of the incentive (at best) to be clawed back.

Insurance Reserve

The council's insurance arrangements involve both internal and external cover. Internal cover is provided by way of an earmarked reserve for all claims notified to the council by 31st March each year (the amount provided for those claims being based on advice from the council's Insurers). Some risks are not fully funded, with losses up to a specified amount being met from revenue as they arise. To obtain insurance cover in the most cost effective manner, the council has chosen to carry excesses in respect of claims made under liability and material damage insurances. A reserve has been set up from the council's internal funds to cover self-insured risks. This reserve is based on the total potential liability that could accrue up to 31st March 2012.

Details of the internal insurance arrangements are provided in the Accounting Policy note 16.

Debt Financing Reserve

This reserve was established during 2004/05 to fund debt financing budget shortfalls that may arise due to factors beyond the control of the council

Lease Rental Equalisation Reserve

This reserve was established during 2004/05 to manage the budget implications of the change in accounting treatment of lease rentals from cash to an accruals basis.

Saxon Court Dilapidation Reserve

This reserve was established in 2009/10 in recognition of the council's commitment that on relinquishment of its lease it will return the Saxon Court premises to the standard of the building at the commencement of the contract, or to pay an agreed equivalent cash sum to the landlord. The balance will be built up year-on-year, to reach £1.2m by 2015.

Revenue Financing Reserve

This reserve includes monies for arts and sports endowments to cover the cost of facilities planned for construction, traffic calming and the cost of maintaining and repairing works of art within the borough.

One Off Expenditure Reserve

This reserve was set up in 2009/10 to finance One-off expenditure items in 2010/11 budget and future years.

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New Homes Bonus Reserve

This new reserve was set up in 2011/12 to hold the new homes bonus paid to the council. The Cabinet agreed this funding would be used in a strategic manner to support growth in the borough.

CCTV Reserve

This reserve is for the funding for the partnership project between Milton Keynes Council and Thames Valley Police to construct and equip the new CCTV control room at Thames Valley Police station

Landfill Allowance Reserve

This reserve was established during 2005/06 to comply with statutory requirements. The reserve can be used when the amount of biodegradable municipal waste (BMW) land-filled exceeds that permitted in any year.

Car Parking Surplus Reserve

The Parking Surplus Reserve was set up under the terms of Section 55 of the Road Traffic Regulation Act 1984. The reserve holds any surplus achieved through the provision of on-street parking (known as the Road Charging Scheme under the Transport Act 2000) to be spent in accordance with the Act. This reserve was previously called Special Parking Reserve.

Radcliffe Reserve

This reserve was set up in 2010/11 as part of the sale of land at Radcliffe School to David Wilson Homes. There are various future commitments under the deal and the funds held in this reserve are held to ensure that funds are available to meet the next tranche of payments in 2012/13. The reserve will be assessed on a regular basis as property values move and any overage under the deal can be better evaluated.

Redundancy and Reorganisation reserve

This reserve was created from one-off underspends in 2010/11 to meet the forecast costs of redundancies arising from reductions and restructuring of services in response to the financial pressure the council is facing.

Strategic Restructuring Reserve

This new reserve was set up in 2011/12 for the front-loading effects of cuts to the voluntary sector and to develop key front-line services in innovative and sustainable ways to reduce future costs.

Value for Money Reserve

This reserve was set up to ensure adequate funding for invest to save schemes, which delivers a return on initial investment over a number of years.

Notes to the Accounts

Adult Social Care Reserves

In Adult Social Care there are reserves for Learning Disability Ordinary Residency (£200,000), demand-led pressures in Older People Services (£200,000), demand-led pressures in Learning Disability Services (£200,000), and Sheltered Housing modernisation of Older People Services (£250,000).

Children's Demand Reserve

This reserve is to fund potential additional costs arising from an increase in demand for children's services.

Corporate Property Reserve

The council is required to vacate Saxon Court in 2019, at which point the intention is to move from Central Milton Keynes to a new site. There is potential for considerable revenue costs incurred in this project. This specific reserve will be built up over a number of years to support this.

NNDR Funding Volatility Reserve

Government proposals may result in the council's funding from April 2013 being based on actual Business Rate income. While a safety net will operate, this will not mitigate the potential volatility in this funding stream. This reserve has been created to mitigate the increased risk.

Legal Fees Reserve

The Organisational Transformation Programme includes some significant plans for outsourcing activity, which may require appropriate support and legal advice to deliver. In addition, the size of the council means there are often legal claims in progress.

Homes and Community Agency Asset Reserve

As part of the proposed Homes and Community Agency asset purchase and Tariff negotiations, potential one-off costs of transition have been identified. The council has highlighted a requirement for these to be met from earmarked reserves, hence a reserve has been created for this purpose.

Economic Development Reserve

The council's Corporate Plan outlines a commitment to Economic Development. Some funding has been included in Budget Proposals to support this work, but it is likely that as the Marketing Strategy and Inward Investment work progresses, some in year projects may be identified.

Notes to the Accounts

Other Reserves

These reserves comprise monies to cover the costs of Lakes Regeneration of (£100,000), set aside in 2009/10 to fund consultation services on the future of the Lakes Estate. Maintenance budget underspends have been set aside to be utilised in future years on areas such as Access MK (£56,000).

There are a number of new reserves set up within 2011/12 such as the Demand Led Pressures in Housing Reserve (£100,000), Compulsory Purchase Order 5 Waterside Peartree Reserve (£200,000), Warren Bank Reserve (£310,000), costs arising from the end of the Mouchel Contract (£300,000), Events Reserve (£100,000), Block Improvements (£100,000), and Public Health Transition Reserve (£100,000).

There are also a number of small reserves such as HR Training Reserve, IT Reserve, Building Control Reserve, Broadband Trading Service Reserve, Music Service Reserve, Pensions Year 1 Reserve, Meeting Place Reserve, Ouse Valley Link Reserve, Energy Efficiency Fund Reserve, and the Parking Facilities Reserve.

Capital Reserve

The General Fund and Housing Revenue Account Capital Reserve holds contributions from the Comprehensive Income and Expenditure Statement and Housing Revenue Account to fund capital expenditure.

The balance at year end represents those amounts unapplied during 2011/12. These will be carried forward to fund capital expenditure in 2012/13 and future years. The balance can be analysed as follows:

	General Fund	Housing Revenue Account	Total
	£'000	£'000	£'000
Balance at 1 April 2011	(145)	(3,681)	(3,826)
Revenue Contributions	6	184	190
Balance at 31 March 2012	(139)	(3,497)	(3,636)

Notes to the Accounts

7. EXCEPTIONAL ITEMS

In 2011/12, Milton Keynes Council has disclosed one prominent item as exceptional in the Consolidated Income and Expenditure Statement order to provide a fair view of the accounts.

The housing subsidy system and HRA ring-fence was introduced by part IV of the Local Government and Housing Act 1989. This set out the requirement to keep an HRA and enabled subsidy to be paid and received based on formulae determined by the Secretary of State.

In October 2010, the Localism Bill was introduced to Parliament and included powers to replace the subsidy system with a self-financing system which would result in a one off payment to or from government depending on whether the council is in negative or positive subsidy under the old arrangements.

The figures that make up each authority's settlement are based on an assumption of future rents less future allowances. Once the settlement has been made, authorities are required to manage with the income they have in future without recourse to the Government if stock condition deteriorates.

On 28th March 2012, Milton Keynes Council paid the Government £170,360,000 under the Self Financing Scheme, and took out equivalent borrowing to fund the payment.

8. TRADING OPERATIONS

The authority has established 10 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations.

2010/11 (Surplus)/ Deficit £'000		2011/12 Expenditure £'000	2011/12 Turnover £'000	2011/12 (Surplus)/ Deficit £'000
(490)	Commercial Properties	724	(841)	(117)
(5)	Building	1,572	(1,372)	200
(582)	Transport Fleet	2,679	(3,104)	(425)
(4)	Emberton Park	251	(274)	(23)
15	Stores	569	(676)	(107)
(85)	Highways	6,652	(7,007)	(355)
20	Vehicle Maintenance	611	(603)	8
578	Landscape	4,440	(4,249)	191
58	Hospitality Services	42	(75)	(33)
62	Broadband	414	(432)	(18)
(433)	Net (Surplus)/Deficit on Trading Accounts	17,954	(18,633)	(679)

Notes to the Accounts

Commercial Properties

The council received a number of commercial properties in June 1992, following the wind-up of the Development Corporation. The council receives income from these properties and this income is offset against any expenditure incurred by the service.

Building

A unit is maintained by the council to undertake small building maintenance works. This includes the Synergy Depot and key holding services.

Transport Fleet

Neighbourhood Services provides a fleet management service for the council.

Emberton Park

Neighbourhood Services continued to manage the operation of Emberton Park throughout 2011/12.

Stores

The stores area provides a wide range of materials for all the trading activities within Neighbourhood Services. It also provides a service for all other areas of Milton Keynes Council on a commercial basis.

Highways

The Highways DSO work group undertakes a range of highways maintenance and construction activities for a number of areas of the council, primarily for the Highways and Transport Group. This includes a 24 hour emergency service and winter gritting, snow clearing etc.

Vehicle Maintenance

Neighbourhood Services operates vehicle maintenance for the council. It also provides an MOT testing service and operates vehicle checking on behalf of Taxi Licensing.

Landscape

Neighbourhood Services carries out landscape maintenance work for the council, as well as schools and public bodies in the area.

Hospitality Services

Resources – Public Access carries out a catering hospitality service to officers and members of the council to service meetings and functions.

Broadband

This service provides broadband (MKSchools.net) to schools and receives subscription income from them. The capital costs are funded by the schools, and they have the option to use MKSchools.net as their broadband provider.

Notes to the Accounts

9. ACQUIRED AND DISCONTINUED OPERATIONS

There were no operations acquired or discontinued during 2011/12 and therefore no disclosure required.

However, on 1st April 2012, the council handed responsibility for the Longrigg and Caldecotte Outdoor Education Centres to Action for Youth, with the full legal transfer scheduled to take place in the first quarter of 2012/13. Full details can be found under Material Events after the Balance Sheet Date (note 4).

10. AGENCY SERVICES

The council acts as an agent for Homes and Communities Agency in providing street lighting. The costs of £28,000 (2010/11 £23,000) are fully recovered and the net cost to the council is £nil.

Since 2003, the council has acted as an agent for Milton Keynes Primary Care NHS Trust in respect of the provision of nursing care to residents in care homes and the payment for that care. Expenditure of £1,700,000 (2010/11 £1,734,000) was fully recovered during the year.

11. MEMBERS ALLOWANCES

The authority paid the following amounts to members of the council during 2011/12:

2010/11 £'000		2011/12 £'000
500	Salaries	504
226	Allowances	218
22	Expenses	7
<u>748</u>	TOTAL	<u>729</u>

Details of each Member's individual payments are published annually on the council's website.

Notes to the Accounts

12. EXTERNAL AUDIT COSTS

The authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the authority's external auditors:

2010/11 £'000		2011/12 £'000
421	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed Auditor	328
0	Fees payable to the Audit Commission in respect of statutory inspection	0
49	Fees payable to the Audit Commission for the certification of grant claims and returns	56
0	Fees payable in respect of other services provided by the appointed auditor	0
<u>470</u>		<u>384</u>

Notes to the Accounts

13. ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

The council was designated a Permitted and Special Parking Area from 25th March 2002, and is required under Section 55 of the Road Traffic Regulation Act 1984 and the Traffic Management Act 2004 to keep an account of income and expenditure relating to these responsibilities.

2010/11 £'000		2011/12 £'000
	Expenditure	
1,484	Contractors Management Fee	1,575
63	Pay and Display Installation Costs	80
98	Staffing Cost	114
261	Supplies and Services	397
200	Support Costs	245
24	Surveys and Fees	14
29	Decriminalised Costs	39
93	Signing Costs	32
5	Landscaping	5
123	Street Lighting	165
11	Highway Management	8
14	Gully Emptying	12
2,405	Total Expenditure	2,686
	Income	
(795)	Excess Charge/Penalty Charge Notices	(749)
(712)	Business Permits	(873)
(22)	Suspensions	(17)
(556)	Scratch Cards	(703)
(6,248)	Pay and Display Income	(6,960)
(8,333)	Total Income	(9,302)
(5,928)	Surplus achieved in year	(6,616)
144	Transfer to Special Parking Reserve	478
(5,784)	Surplus for the year	(6,138)

The surplus of (£6,138,000) has been fully spent during the year to fund a variety of traffic and transportation projects. Examples of such projects undertaken include highway improvement design and project management (£427,000), off-street car parks (£528,000), concessionary fares (£4,357,000), bus subsidies (£2,648,000), the passenger transport team, publicity, Routel, studies and project development, promotion, minibus driving testing and bus infrastructure.

Notes to the Accounts

14. POOLED BUDGETS

Section 75 of the National Health Act 2006 allows partnership arrangements between NHS bodies, local authorities and other agencies in order to improve and co-ordinate services. A pooled budget is established to which each partner contributes. The aim of the partnership is to provide a service to a target client group and allows the organisations to work in a more unified way.

The council has entered into three such arrangements with the Milton Keynes Primary Care Trust (PCT).

Integrated Community Equipment Service (ICES)

The Integrated Community Equipment pooled budget brings together health and social care equipment for disabled people as a single service, with some efficiency of scale and improved delivery.

The council's share of income and expenditure is included within the Comprehensive Income and Expenditure Statement. The table below summarises the financial performance of the scheme:

2010/11 £'000	Integrated Community Equipment Service (ICES)	2011/12 £'000
	Gross Funding	
(181)	Milton Keynes Council	(181)
(252)	Milton Keynes Primary Care Trust	(252)
(433)	Total Funding	(433)
452	Expenditure	713
452	Total Expenditure	713
19	Net (Surplus)/Deficit	280
(8)	MKC share of underspend/ (overspend)	(117)
(11)	PCT share of underspend/ (overspend)	(163)
0	Net Deficit Carried Forward	0

Notes to the Accounts

Mental Health

The Mental Health pooled budget supports the integrated mental health service (council and Primary Care Trust), allowing greater flexibility and economies of scale in funding mental health services.

The council's share of income and expenditure is included within the Comprehensive Income and Expenditure Statement. The table below summarises the financial performance of the scheme:

2010/11 £'000	Mental Health	2011/12 £'000
	Gross Funding	
(3,847)	Milton Keynes Council	(3,842)
(12,985)	Milton Keynes Primary Care Trust	(12,449)
(16,832)	Total Funding	(16,291)
	Expenditure	
1,367	Commissioning	16,241
15,483	Provider	0
16,850	Total Expenditure	16,241
18	Net Deficit/ (Surplus) before additional contributions / distributions	(50)
(4)	MKC share of underspend/ (overspend)	12
(14)	PCT share of underspend/ (overspend)	38
0	Net Surplus carried forward	0

Notes to the Accounts

Learning Disability

The Learning Disability pooled budget supports the integrated learning disability service (council and Primary Care Trust), allowing greater flexibility and economies of scale in funding mental health services. Milton Keynes Council is the Lead Partner for the Learning Disability Pool.

The council's share of income and expenditure is included within the Comprehensive Income and Expenditure Statement. The table below summarises the financial performance of the scheme:

2010/11 £'000	Learning Disability	2011/12 £'000
	Gross Funding	
(16,885)	Milton Keynes Council	(18,915)
(1,161)	Milton Keynes Primary Care Trust	(1,161)
(18,046)	Total Funding	(20,076)
	Expenditure	
135	Senior Management	132
430	Team A / Intake and Assessment	426
568	T & D, QA & Policy / Training Quality & Review	549
277	Team B / Mental Health & Learning Disability	248
4,942	External Residential Care	5,135
551	Fremantle	509
1,083	Mathieson Road	1,073
2,473	Internal Day Care	2,329
544	External Day Care	639
120	Thrift Farm	113
164	Home Care	197
396	Direct Payments	382
621	Peripatetic	648
0	Supporting People	535
3,363	External Supported Living	4,730
299	Psychology	290
253	Medical Services	254
273	Supported Employment	247
1,554	Grants to Voluntary Organisations	1,640
18,046	Total Expenditure	20,076
0	Net (Surplus)/Deficit	0

Notes to the Accounts

15. OFFICERS REMUNERATION

The remuneration paid to the council's senior employees during 2011/12 whose salary is less than £150,000 was as follows:

Total 2010/11 £		Salary £	Expense Allowances £	Pension Contribution £	Total 2011/12 £
161,017	Corporate Director, Children & Families	134,318	769	25,655	160,742
147,657	Corporate Director, Community Wellbeing	125,364	0	23,945	149,309
137,895	Corporate Director, Organisational Transformation Programme	118,896	0	22,709	141,605
136,337	Director of Strategy	105,000	180	20,055	125,235
155,473	Corporate Director, Resources	130,338	420	24,895	155,653

The remuneration paid to the council's senior employees during 2011/12 whose salary is more than £150,000 was as follows:

Total 2010/11 £		Salary £	Expense Allowances £	Pension Contribution £	Total 2011/12 £
184,201	Chief Executive - D Hill	154,218	344	29,456	184,018

The council's other employees (excluding those listed individually as senior employees) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

£ Band	2010/11 Number of Employees	2011/12 Number of Employees	2011/12 No of Redundancies
£50,000 - £54,999	127	75	2
£55,000 - £59,999	79	62	1
£60,000 - £64,999	43	35	0
£65,000 - £69,999	32	23	1
£70,000 - £74,999	19	13	0
£75,000 - £79,999	13	11	1
£80,000 - £84,999	4	5	0
£85,000 - £89,999	7	4	1
£90,000 - £94,999	5	1	0
£95,000 - £99,999	1	1	0
£100,000 - £104,999	3	0	0
£105,000 - £109,999	4	2	0
£110,000 - £114,999	0	0	0
£115,000 - £119,999	0	0	0
£120,000 - £124,999	0	0	0
£125,000 - £129,999	1	1	0
	<u>338</u>	<u>233</u>	<u>6</u>

Notes to the Accounts

The number of exit packages with total costs per band and total costs of the compulsory and other redundancies are set out in the table below:

(a) Exit package cost band (including special payments)	(b) Number of Compulsory Redundancies		(c) Number of Other Departures Agreed		(d) Total Number of Exit Packages in Each Band [(b) + (c)]		(e) Total Cost of Exit Packages in Each Band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
							£'000	£'000
£0 - £20,000	21	31	10	32	31	63	204	588
£20,001 - £40,000	4	2	0	11	4	13	109	395
£40,001 - £60,000	2	2	0	3	2	5	100	221
£60,001 - £80,000	1	1	0	5	1	6	68	396
£80,001 - £100,000	1	1	0	1	1	2	91	173
£100,001 - £200,000	0	0	0	4	0	4	0	552
Total cost of Exit Packages	29	37	10	56	39	93	572	2,325
Exit Package Provision	0	3	0	12	0	15	0	223
Total Exit Package charged to Comprehensive Income & Expenditure Statement	29	40	10	68	39	108	572	2,548

The total cost of £2,548,000 in the table above includes £2,325,000 for exit packages that have been agreed, accrued for and charged to the authority's Comprehensive Income and Expenditure Statement in the current year. In addition the authority's Comprehensive Income and Expenditure Statement includes a provision for £223,000 which has been agreed and is payable to 15 officers, these costs are not included in the bands and therefore an additional line has been added to reconcile to the total costs of termination benefits reported in the Comprehensive Income & Expenditure Statement.

Notes to the Accounts

16. DEDICATED SCHOOLS GRANT

The council's expenditure on schools is funded primarily by and the Dedicated Schools Grant (DSG provided by the Department for Education (DfE)). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011 and the School Finance (England) Regulations 2012. The Schools Budget includes elements for a range of educational services provided on an council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

When a school is granted Academy Status by the DfE, the amount of DSG allocated to the council is reduced by that school's budget share reflecting the period of the financial year remaining. The DfE state that "the overarching principle of academy funding is that academies should be funded on the same basis as local maintained schools. Local Authority Central Spend Equivalent Grant (LACSEG) is paid to academies to cover the costs of services that the local authority provides to maintained schools because academies are expected to secure these services independently".

The table below shows the deployment of the DSG receivable for 2011/12.

	Central Expenditure £'000	ISB £'000	Total £'000
Final DSG for 2011/12			179,672
Exceptional Circumstances Grant Awarded In year			(722)
Surplus Brought forward from 2010/11			2,275
Carry forward to 2012/13 Agreed in Advance			(805)
Agreed Budgeted distribution of DSG in 2011/12	14,179	166,241	180,420
Actual Central Expenditure (excluding funds devolved/delegated to schools in year)	9,160		
Actual ISB deployed to Schools (after allocation of contingencies etc from Central Expenditure Budgets delegated/devolved to schools in year)		147,007	
Balance of Diploma Grant	25		
Local Authority Contribution for 2011/12	0	13	13
In year reduction in ISB for schools becoming Academies		(20,870)	(20,870)
In year reduction in DSG for schools becoming Academies			21,062
DSG Carry Forward to 2012/13	5,044	(1,623)	4,034

Notes to the Accounts

17. GRANT INCOME

The council has been credited with the following grants and contributions in the Comprehensive Income and Expenditure Statements during 2011/12. The council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the awarding body. The balances at the year end are as follows:

2010/11		2011/12
£'000	Credited to Taxation and Non Specific Grant Income	£'000
(11,069)	Revenue Support Grant	(20,894)
0	Early Intervention Grant	(10,219)
0	Council Tax Freeze Grant	(2,313)
0	Local Services Grant	(551)
0	Learning Disability & Health Reform Grant	(3,307)
(481)	Local Authority Business Growth Incentive Grant	0
(14,374)	Area Based Grant	0
(25,924)	Total Non-Ringfenced Government Grants	(37,284)
(98,248)	Council Tax Income	(98,599)
(76,225)	Redistributed National Non-Domestic Rate Income	(67,596)
(30,497)	Capital Grants and Contributions	(27,166)
(230,894)	Total Credited to Taxation and Non Specific Grant Income	(230,645)
	Credited to Services	
(159,803)	Dedicated Schools Grant	(158,636)
(64,557)	Mandatory Rent Allowance: Subsidy	(67,180)
(25,461)	Mandatory Rent Rebates	(26,924)
(17,134)	Council Tax Benefit	(17,089)
(17,069)	Young People's Learning Agency	(9,078)
0	New Homes Bonus	(2,873)
0	NHS Support for Social Care	(2,385)
0	Pupil Premium Grant	(2,235)
(2,319)	Benefits Administration Grant	(2,176)
(799)	Adult and Community Learning	(1,328)
0	Devolved Capital grant	(829)
(578)	Unaccompanied Asylum Seeking Children	(715)
0	Exceptional Services Grant	(516)
(731)	Youth Justice Board	(416)
(159)	CWDC Social Work Programme	(400)
(370)	NNDR Administration Grant	(372)
(52)	Music Services Grant	(361)
0	English Partnership	(200)
(208)	Milk Subsidy	(190)
(283)	School Workforce Developments	(177)
0	Neighbourhood Planning Front Runners Grant	(100)
(17,678)	Standards Fund	0
(8,580)	Education Special Grants (Schools Standards Grant)	0
(7,880)	General Sure Start Grant	0
(5,335)	16-18 Learner Responsive	0
(1,011)	Growth Fund Revenue	0
(1,087)	Quality & Access Grants	0
(7,466)	Other Grant Income	(812)
(338,560)	Total Grant Income credited to Cost of Services	(294,992)

Notes to the Accounts

Current Liabilities

2010/11 £'000		2011/12 £'000
	Grants and Contributions Receipts in Advance (Capital)	
	<i>Grants:</i>	
(1,475)	Low Carbon Infrastructure Grant	(1,469)
0	Plugged in Places Funding Grant	(35)
(51)	IT Infrastructure Grant	(31)
(872)	Other Government Grants	(20)
	<i>Contributions:</i>	
(2,884)	Contribution from Homes and Community Agency	(3,900)
0	Contribution from MKC School Journey Premium Income	(348)
(200)	Other contributions	(13)
<u>(5,482)</u>	Total Grants and contributions Receipts in Advance (Capital)	<u>(5,816)</u>
	Grants and Contributions Receipts in Advance (Revenue)	
(2,275)	Dedicated Schools Grant	(4,035)
0	NHS Support for Social Care	(1,571)
(1,399)	Standards Fund	0
(937)	Housing Planning Delivery Grant	(644)
(580)	English Partnership	(504)
(547)	Pothole Funding	0
(792)	Social Care Reform Grant	(370)
(115)	CWDC Social Work Programme	(328)
0	Egov4u	(183)
(134)	EEA Public Art	(190)
(118)	Homelessness Grant	(118)
0	Local Services Grant - Community Safety	(149)
0	Asylum Seekers Grant	(11)
(1,173)	Other Grants receipts in Advance	(774)
(771)	Contributions - Developer Contributions	(895)
(1,026)	Contributions - Other	(1,045)
<u>(9,867)</u>	Total Grants and Contributions Receipts in Advance (Revenue)	<u>(10,817)</u>

Long Term Liabilities:

2010/11 £'000		2011/12 £'000
	Grants and Contributions Receipts in Advance (Capital)	
	<i>Grants:</i>	
0	Short Breaks Grant	(145)
0	Westcroft District Park	(49)
(345)	Local Authority Business Growth Incentive (LABGI)	0
(544)	Other Grants	(20)
	<i>Contributions</i>	
(231)	Other Contributions	(124)
0	Donated Asset - MRF	(357)
<u>(1,120)</u>	Total Grants and Contributions Receipts in Advance (Capital)	<u>(695)</u>
	Grants and Contributions Receipts in Advance (Revenue)	
(19,141)	Developer Contributions	(21,497)
<u>(19,141)</u>	Total Grants and Contributions Receipts in Advance (Revenue)	<u>(21,497)</u>

Notes to the Accounts

18. LANDFILL ALLOWANCE TRADING SCHEME

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. From 1st April 2005 it introduced a trading scheme, which allocates tradable landfill allowances.

The figures below are shown as current assets and current liabilities in the Balance Sheet. Each year the figures are based on estimated usage for the final quarter of the year. The opening balance has been adjusted to reflect the final position for the previous year.

2010/11		2011/12	
Tonnes	£'000	Tonnes	£'000
7,023	84	(5,294)	(66)
	Opening Balance at 1st April 2011		
8,000	69	0	0
	Purchases 10/11 Allowances		
(7,746)	(77)	2,253	28
	Adjustment to opening balance to reflect audited final tonnages and value for previous years		
7,277	76	(3,041)	(38)
	Adjusted opening balance		
(7,277)	(76)	3,041	38
	Revaluation of LATS		
(39,772)	(497)	(34,790)	(249)
	Allowances Received		
0	0	0	0
	Purchases		
0	0	0	0
	Sales		
34,478	431	28,318	203
	Allowances Used		
0	0	0	0
	Allowances written off		
(5,294)	(66)	(6,472)	(46)
	Balance at 31st March 2012		

19. PROPERTY, PLANT AND EQUIPMENT

The tables on the following pages show the movements in year for property, plant and equipment in 2011/12 and the 2010/11 comparative movement.

Notes to the Accounts

Movement in 2011/12	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment Finance Lease	Vehicles, Plant & Equipment Other	Infra-structure	Community Assets	Surplus Assets	Assets Under Construction	Total PPE
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2011	435,314	450,557	4,649	14,825	136,541	266	8,058	18,079	1,068,289
Additions	9,766	865	23	1,327	8,384	70	0	8,622	29,057
Donations	0	0	0	357	0	0	0	0	357
Revaluation recognised in the Revaluation Reserve	(585)	(12,944)	0	0	0	0	(24)	0	(13,553)
Revaluation recognised in the Surplus/Deficit on the Provision of Services	(14,630)	(6,643)	0	0	0	0	(30)	0	(21,303)
Derecognition - disposals	(790)	(64)	0	0	0	0	(495)	0	(1,349)
Derecognition - other	0	(9,460)	(158)	(1,146)	0	0	0	0	(10,764)
Assets Reclassified (to)/from Held for Sale	0	(26)	0	0	0	0	(55)	0	(81)
Assets Reclassified (to)/from Other asset classes	1,151	13,044	0	801	18	1,322	(59)	(16,282)	(5)
Other Movements in cost or valuation	0	0	0	0	0	0	0	0	0
At 31 March 2012	430,226	435,329	4,514	16,164	144,943	1,658	7,395	10,419	1,050,648
Accumulated Depreciation and Impairment									
Depreciation value at 1 April 2011	0	(23,196)	(1,930)	(7,222)	(24,395)	0	(67)	0	(56,810)
Impairment value at 1 April 2011	(8,703)	(26,519)	0	(117)	0	0	(2,818)	0	(38,157)
Depreciation charge	(6,421)	(9,343)	(778)	(1,720)	(3,498)	0	(92)	0	(21,852)
Depreciation written out to the Revaluation Reserve	0	16,591	0	0	0	0	27	0	16,618
Depreciation written out to the Surplus/Deficit on the Provision of Services	6,459	371	0	0	0	0	0	0	6,830
Impairment losses/(reversals) recognised in the Revaluation Reserve	(79)	8,356	0	0	0	0	(67)	0	8,210
Impairment losses/(reversals) recognised in the Surplus/Deficit on the provision of Services	(9,015)	(4,637)	0	(30)	0	0	(785)	0	(14,467)
Derecognition - disposals	28	8	0	0	0	0	19	0	55
Derecognition - other	0	2,253	158	1,136	0	0	0	0	3,547
Assets Reclassified (to)/from Other asset classes	(66)	109	0	43	0	0	(74)	0	12
Other movements in depreciation and impairment	0	0	0	0	0	0	0	0	0
At 31 March 2012	(17,797)	(36,007)	(2,550)	(7,910)	(27,893)	0	(3,857)	0	(96,014)
Net Book Value									
as at 31 March 2012	412,429	399,322	1,964	8,254	117,050	1,658	3,538	10,419	954,634
as at 31 March 2011	426,611	400,842	2,719	7,486	112,146	266	5,173	18,079	973,322

Notes to the Accounts

2010/11 Comparators

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment Finance Lease	Vehicles, Plant & Equipment Other	Infra-structure	Community Assets	Surplus Assets	Assets Under Construction	Total PPE
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2010	569,951	439,087	4,712	12,871	124,441	266	5,685	23,109	1,180,122
Additions	12,229	3,500	236	1,970	12,100	0	0	17,844	47,879
Donations	0	0	0	0	0	0	0	0	0
Revaluation recognised in the Revaluation Reserve	0	5,193	0	0	0	0	1,297	0	6,490
Revaluation recognised in the Surplus/Deficit on the Provision of Services	(145,359)	(1,259)	0	0	0	0	(26)	0	(146,644)
Derecognition - disposals	(943)	(1,152)	0	(76)	0	0	0	0	(2,171)
Derecognition - other	0	(3,338)	(299)	0	0	0	0	0	(3,637)
Assets Reclassified (to)/from Held for Sale	0	(294)	0	0	0	0	414	0	120
Assets Reclassified (to)/from Other asset classes	(564)	18,876	0	60	0	0	688	(18,939)	121
Other Movements in cost or valuation	0	(10,056)	0	0	0	0	0	(3,935)	(13,991)
At 31 March 2011	435,314	450,557	4,649	14,825	136,541	266	8,058	18,079	1,068,289
Accumulated Depreciation and Impairment									
Depreciation value at 1 April 2010	0	(16,269)	(1,371)	(5,701)	(21,205)	0	(27)	0	(44,573)
Impairment value at 1 April 2010	(11,678)	(12,061)	0	(102)	0	0	(2,193)	0	(26,034)
Depreciation charge	(7,897)	(8,669)	(858)	(1,595)	(3,190)	0	(39)	0	(22,248)
Depreciation written out to the Revaluation Reserve	0	955	0	0	0	0	0	0	955
Depreciation written out to the Surplus/Deficit on the Provision of Services	7,897	102	0	0	0	0	0	0	7,999
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(1,762)	0	0	0	0	(625)	0	(2,387)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the provision of Services	2,975	(13,165)	0	(15)	0	0	0	0	(10,205)
Derecognition - disposals	0	83	0	74	0	0	0	0	157
Derecognition - other	0	621	299	0	0	0	0	0	920
Assets Reclassified (to)/from Other asset classes	0	1	0	0	0	0	(1)	0	0
Other movements in depreciation and impairment	0	449	0	0	0	0	0	0	449
At 31 March 2011	(8,703)	(49,715)	(1,930)	(7,339)	(24,395)	0	(2,885)	0	(94,967)
Net Book Value									
as at 31 March 2011	426,611	400,842	2,719	7,486	112,146	266	5,173	18,079	973,322
as at 31 March 2010	558,273	410,758	3,341	7,069	103,236	266	3,466	23,109	1,109,518

Notes to the Accounts

Depreciation

Depreciation should be provided on all assets with a finite useful life, which can be determined at the time of acquisition or revaluation.

The table below details the different classes of asset held by the council, the useful lives of each class of asset and the total depreciation charged for the year.

2010/11 Depreciation Charge		Potential Useful Life of Asset Years	Actual Useful Life of Asset Years	2011/12 Depreciation Charge		
				General Fund £'000	HRA £'000	Total £'000
7,897	Council Dwellings	10 - 85 *	10 - 85 *	0	6,421	6,421
8,708	Other Properties	20 - 60 **	20 - 60 **	8,840	595	9,435
1,595	Vehicles, Plant and Equipment	3 - 40 ***	3 - 18	1,592	128	1,720
858	Leased VPE	3 - 40 ***		778	0	778
3,190	Infrastructure	40	40	3,498	0	3,498
	Infrastructure - Other	20	20			
22,248				14,708	7,144	21,852

* The depreciation for Right to Buy Council Dwellings is based on actual useful lives.

** The depreciation calculation for Other Properties is based on a 60 year life from the completion date. Each time an asset is revalued the asset life is revised, but the calculation is based on the date of completion, a life of 60 years and the revaluation date.

*** The useful life varies from 3 to 40 years depending on the estimated life of each asset.

Please see Accounting Policy note 25 for further details.

Capital Commitments

The council prepares an annual capital programme but a number of schemes take several years to complete thus committing the authority to capital expenditure in future years.

Overall commitments at 31st March 2012, including those with a commitment of less than £100,000, totalled £10,400,000.

There are contractual commitments for the acquisition of purchased intangible assets of £42,000.

Capital Commitments resulting in expenditure for foundation schools will be treated as Revenue Expenditure Funded from Capital under Statute (REFCUS) because it will not result in an asset for the council.

Notes to the Accounts

Contractual commitments as at 31st March 2012 with a commitment of £100,000 or more are shown in the table below.

Segment: Scheme Name	Scheme Description	2011/12 £'000	Period of Investments Years
Children & Families			
Queen Eleanor Primary School	Roofing Works	197	1
WCP Langlands Primary School	School Extension	542	1
		<u>739</u>	
Resources - Public Access			
Saxon Court	Roofing works.	231	1
		<u>231</u>	
Highways and Transportation			
Wolverton Station	Railway Station and facilities	189	1
Station Approach	Realm and facility Improvements	460	1
Quality Bus Information	Bus Shelters	146	1
		<u>795</u>	
Housing and Community Group			
Structural	Structural Improvements	161	1
Windows	Window Improvements	158	1
		<u>319</u>	
Community Facilities Unit			
Wolverton Swimming Pool	New swimming pool and facilities	4,946	2
Broughton Pavilion	Community Pavilion	1,900	1
Conniborrow Project	Community facility - Baseball diamond	275	1
		<u>7,121</u>	
Grand Total		<u><u>9,205</u></u>	

Valuation of Non-Current Assets

The council has a five year rolling programme for undertaking valuations of its property assets. In the 2011 valuations all those properties not valued within the previous five years, excluding Council Dwellings, were valued by Lorna Kempster MRICS, Nathan Andrews MRICS and Richard Jenden MRICS of Mouchel Business Services Ltd, the appointed external valuers. The valuation date was 1st April 2011.

A property review has also been undertaken of the council's entire property portfolio, excluding Council Dwellings, as at 31st March 2012. These valuations were completed by Nathan Andrews MRICS and Lorna Kempster MRICS of Mouchel Business Services Ltd.

Following research into levels of land values during 2011/12, the conclusion of this review is that there has been no further decrease in land values since March / April 2011.

An enhancement review has been undertaken and where appropriate, revaluations have been conducted as at 31st March 2012. This has also resulted in specific impairment losses being identified on a number of assets as shown in the impairment disclosures later in this section.

The valuations were prepared in accordance with the Practice Statements in the RICS Red Book 2012, published by the Royal Institution of Chartered Surveyors and the valuation procedures agreed between RICS and CIPFA based on the International

Notes to the Accounts

Financial Reporting Standards referred to in the RICS Red Book 2012. In accordance with the relaxations agreed between the RICS and CIPFA, not all properties were inspected. The significant assumptions applied in estimating the fair values are:-

- That there are no burdensome incidents of tenure, legal rights, restrictive covenants, charges or outgoings, and no encumbrances on title affecting the properties;
- That the properties are in good structural repair;
- Unless valuers are otherwise aware, that the properties are in a reasonable standard of repair and that all reasonable external and internal repair and maintenance has been carried out;
- That the properties are free from the presence of any deleterious or hazardous material;
- That no contaminative or potentially contaminative uses have ever been carried out on the property and that no radon gas is present at any of the premises.

Council Dwellings have been valued as at 1st April 2011 based on a desk top review and a further property review has been undertaken as at 31st March 2012. Council dwellings were valued by Peter Riley FRICS of Mouchel Business Services Ltd in accordance with DCLG 2010 Guidance on Stock Valuation and the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards. A HRA Capital Programme impairment loss has also been incurred at 31st March 2012 and some of the previous year's Capital Programme has been reversed. This is following the capital expenditure incurred in year and subsequent 31st March revaluations as shown in the impairment disclosure in note 19.

Assets which transferred to the council from the Homes and Communities Agency are subject to 'clawback' on disposal: compensation in respect of transferred asset value. In 2011/12 the council paid £1,070,943 in clawback on housing stock sales of £1,651,550. As at 31st March 2012 60.09% of the council's housing stock and 3.95% of the non-housing stock are subject to clawback.

Notes to the Accounts

Revaluation of non-current assets

The following table shows the progress of the council's rolling programme for revaluation of Property, Plant and Equipment:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infra- structure	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets held at historical cost	0	0	10,218	117,050	1,658	0	10,419	139,345
Revalued Assets in:								
2011/12								0
2010/11	412,429	200,197	0	0	0	3,538	0	616,164
2009/10	0	32,287	0	0	0	0	0	32,287
2008/09	0	54,214	0	0	0	0	0	54,214
2007/08	0	52,954	0	0	0	0	0	52,954
2006/07	0	59,670	0	0	0	0	0	59,670
Total Valuation of Revalued Assets	412,429	399,322	0	0	0	3,538	0	815,289
The Carrying amount for revalued assets had they been carried under the cost model	412,429	297,632	0	0	0	3,037	0	713,098
Revaluation surplus for revalued assets including the charge in year	0	101,690	0	0	0	501	0	102,191

Foundation School Asset Values

Under the Schools Standards and Framework Act 1998, Foundation Schools Assets are vested in the Governing Bodies of the individual foundation schools. Two schools were transferred to foundation status in year and 7 foundation schools have now become academies. The values for these assets were not consolidated in the council's Balance Sheet.

At 31st March 2012, there were fourteen foundation or trust schools with an estimated asset valuation of £131,359,000 (nineteen schools at £252,590,000 as at 31st March 2011).

Effects of Changes in Estimates

During the revaluation of the Council's Right to Buy dwellings, the actual useful lives were critically reviewed. As a result, the depreciation was calculated on an actual life basis instead of in relation to the following categories – less than 20 years, 20 to 50 years and more than 50 years. The annual depreciation charge for the council dwellings of £6,342,000 for 2011/12 was £115,000 higher than it would have been if the categories of

Notes to the Accounts

lives had been used for this calculation. The impact of this change will carry forward in to 2012/13 and future years.

Impairment

An impairment loss on a re-valued asset is the amount by which the carrying amount of an asset exceeds its recoverable amount. This can be due to the consumption of economic benefit or due to a fall in prices that is specific to an asset. The loss is recognised in the Revaluation Reserve to the extent that the impairment does not exceed the amount in the Revaluation Reserve for that asset and thereafter in the Surplus or Deficit on the Provision of Services.

An impairment loss on a non re-valued asset (those held at historic cost) is recognised in the Surplus or Deficit on the Provision of Services.

At the end of each reporting period if there is an indication that an impairment loss, previously recognised in the Surplus or Deficit on the Provision of Services, may no longer exist or may have decreased, the reversal of that loss is permitted if there has been a change in the estimates used to determine the asset's recoverable amount since the impairment loss was recognised.

The following table shows the impairment charges for non-current assets in 2011/12:

	Impairment Loss			Reversal of Impairment Loss			Total to Revaluation Reserve	Service Total
	Taken to Revaluation Reserve	Charged to Services		Taken to Revaluation Reserve	Previously Charged to Service			
		General Fund	HRA		General Fund	HRA		
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Property Plant and Equipment								
Council Dwellings	79	0	17,718	0	0	(8,703)	79	9,015
Other Land & Buildings	2,949	7,738	0	(11,305)	(3,101)	0	(8,356)	4,637
Vehicles, Plant & Equipment	0	30	0	0	0	0	0	30
Leased Vehicles, Plant & Equipment	0	0	0	0	0	0	0	0
Infrastructure	0	0	0	0	0	0	0	0
Community Assets	0	0	0	0	0	0	0	0
Surplus Assets	68	0	786	(1)	0	(1)	67	785
Total Property Plant and Equipment	3,096	7,768	18,504	(11,306)	(3,101)	(8,704)	(8,210)	14,467
Investment Assets	0	0	0	0	0	0	0	0
Assets Held for Sale	29	0	0	(9)	0	0	20	0
Total Impairment	3,125	7,768	18,504	(11,315)	(3,101)	(8,704)	(8,190)	14,467

Notes to the Accounts

Material Impairment Losses

During 2011/12, the council has recognised material impairment losses totalling £24,848,000 in relation to Council Dwellings and three other Land and Building assets. The council also reversed a material impairment loss of £1,697,000 in relation to the 2011/12 Capital Programme. Further detail can be found in the table below:

Assets	Material Impairment Loss - Recognised in year £'000	Material Impairment Loss - Reversed in year £'000	Events/Circumstances
Housing Revenue Account			
Council Dwellings	17,797		0 Recognising the works identified for the HRA 2012/13 Capital Programme including the Government's Community Energy Savings Programme (CESP)
Council Dwellings	0	(1,697)	0 Reversing part of the impairment loss recognised in the previous year relating to the 2011/12 Capital Programme following revaluations.
Children & Families - Education, Effectiveness & Participation			
Rickley Park Primary School	1,666		0 Demolition of school building as part of the redevelopment of the school facilities
Rickley Park Primary School - new building	3,126		0 A decline in value specific to the asset due to project costs to bring the asset into use being greater than its value (Depreciated Replacement Cost (DRC))
Compliance Unit			
Crownhill Crematorium - new facility	2,259		0 A decline in value specific to the asset due to project costs to bring the asset into use being greater than its value (Depreciated Replacement Cost (DRC))
Total	24,848	(1,697)	

Notes to the Accounts

20. HERITAGE ASSETS

The table below shows the reconciliation of the carrying value of Heritage Assets held by the authority:

Cost or Valuation	Historical Buildings & Archaeolog- ical Sites £'000	Museum & Archive Collections £'000	Arts Collection £'000	Civic Insignia £'000	Total Assets £'000
At 1 April 2010	0	0	0	0	0
At 31 March 2011	0	0	0	0	0
Cost or Valuation					
At 1 April 2011	0	0	0	0	0
Additions	12	0	0	0	12
Disposals	0	0	0	0	0
Revaluations	0	0	0	0	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0
Depreciation	0	0	0	0	0
At 31 March 2012	12	0	0	0	12

Historical Buildings and Archaeological Sites

Heritage assets acquired or constructed in 2011/12 are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the council's accounting policy on Property, Plant and Equipment.

Insurance valuations are considered to establish whether their application would be appropriate and also whether a market value exists for each asset.

The council undertakes a valuation where the information is available and appropriate.

In most cases the council does not consider that comparable market value information can be obtained for historical buildings and archaeological sites or that insurance valuations can be used in order for values to be established. This is because of the nature of the assets held.

Museum and Archive Collections

The council's Museum and Archive collections are not recognised in the Balance Sheet as the council does not consider that reliable cost or valuation information can be obtained and that the cost of obtaining the information outweighs the benefits to the users of the financial statements. This is due to the diverse nature of the assets held and the lack of comparable market values.

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Insurance information is available for two significant items within the collection - a Bronze Age sword and an inchthysaur fossil.

Arts Collection

Reliable cost or valuation information is not readily available, and the council believes that obtaining valuations for these items requires significant investment and currently the cost is prohibitive. However, the council acknowledges the need for a valuation review and plans are in place to undertake this work in the future. Consequently the council does not recognise these assets on the Balance Sheet this financial year but wishes to do so in future years.

A condition survey and valuation of public art was undertaken in 1991 and 1996 and these are the last known dates at which items in the collection were valued. Where no value is given this means they were not valued at this time and artworks acquired after this date have not been independently valued.

Insurance valuation information is available for a global sum covering all the public art works but not on an itemised basis.

Civic Insignia

The last valuation of civic insignia assets was undertaken in 2006. Reliable cost or current valuation information is not readily available and the council believes that the cost involved in obtaining this information is not commensurate with the benefits to the users of the financial statements. Consequently the council does not recognise these assets on the Balance Sheet.

Insurance information is available for a global sum covering all civic insignia but not on an itemised basis.

Heritage Assets - Five Year Summary of Transactions

The Heritage Assets included in the Balance Sheet at 31st March 2012 were brought in as additions during the year. Prior to their addition, and for the reasons explained above, there were no balances or transactions in respect of Heritage Assets included within the financial statements.

For this reason, the table which provides details of the transactions of five years has been omitted but will be included from 2012/13 inwards.

Heritage Assets – Further Information on Assets Held

Historical Buildings & Archaeological Sites

The council owns a variety of Historical Buildings and Archaeological Sites. Many of these are 'Designated Heritage Assets' e.g. scheduled ancient monuments, listed buildings or assets within conservation areas and are of national significance. In addition to this, there are others that are 'Non-Designated Heritage Assets', i.e. those which have a degree of

Notes to the Accounts

significance meriting consideration in planning decisions but are of local significance rather than national.

The nature, scale and significance of these assets is not confined to a particular type or size and incorporates a range of listed buildings. Scheduled ancient monuments also involve a similarly broad range, including public infrastructure such as road bridges.

The council adheres to the generic acquisition and disposal policies contained within section 11 of its Property Strategy and there is no specific policy for the preservation or management of historical buildings and archaeological sites. However, the council's Conservation & Archaeology Team has begun work on its borough wide Heritage at Risk Register. Alongside privately owned buildings, this identifies assets owned by Milton Keynes Council. There are currently nine council owned assets identified on this register.

The draft register of council owned buildings has been presented to the Strategic Property Group within the council. It is hoped that as the register is formalised, it will provide a basis for the council to enter into responsible short term management of these assets and to examine how the long term preservation of each building is best secured.

Historical Buildings and Archaeological Sites are assessed by the Property Services Department with regards to meeting the CIPFA Code of Practice definition of Heritage Assets and Donated Assets.

The council does not have any significant historical buildings or archaeological sites which it can verify as being donated.

Museum and Archive Collections

The museum collection consists of just less than 5,000 items and relates to the history of Milton Keynes from the pre-historic period to the present day. Within those collections lie significant items of archaeological material (metal, pottery, stone, etc) that form part of the site information record connected to the building and development of the New Town. The collection also includes environmental and natural history, social, industrial and domestic life, and art, particularly art from the artists in residence during the New Town period. The Museum collection is held at Buckinghamshire's County Museum.

The council also administers the Milton Keynes Council and Development Corporation Archives which equate to 140 cubic metres of shelving. The Archive collection consists of deposited council and predecessor collections (borough, district, urban, etc) that inform about the governance of the area, plus historic material relating to land and property, family, estate, ecclesiastical, court, business and charity holdings, and personal deposits.

Together this constitutes a rich archival history of the area. In addition the archive holds the records of the Commission for New Towns/Milton Keynes Development Corporation and its successors which details the planning, building and development of the New Town. This archive is of national if not international significance and includes substantial audio-visual record material. The archives are held at the Centre for Buckinghamshire Studies, Aylesbury, which collects, catalogues and preserves them and provides public access.

The Council currently adheres to the Collecting Policies of Buckinghamshire

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County Museum and the Centre for Buckinghamshire Studies (County Archives) who collect on the council's behalf.

Museum objects are usually donated and information is held at the Buckinghamshire County Museum. Archive material is generally deposited, not donated and relevant data is held on accession registers. There are no known significant donations of heritage assets in the Museum Collection.

Milton Keynes Council has an arrangement with Bucks County Council for the latter to deliver its heritage (archive and museums) provision. This has been in place since 1997 when Milton Keynes Council attained unitary status and is renewed every 3 – 5 years dependent on the requirements of the service. The last full review was in 2007-08 and the current arrangement is to run until March 2014. Monitoring is undertaken on a quarterly basis to meet the financial performance data needs of Milton Keynes Council and to enable greater flexibility and reactivity as needs arise.

Arts Collection

The Public Art Collection consists of approximately 100 items of works of art. The collection includes sculptures, paintings, prints and artists designs integrated in public spaces and buildings. The collection has grown with the development of the city and many of the artworks help map the story of Milton Keynes and contribute to its cultural life. There are some important artworks and artists represented in the collection such as the Black Horse by Elisabeth Frink. Also there are some artworks that have emerged through socially engaged practices such as the Tin Man concrete sculpture. In the main, this is a collection that is permanently on display in public places.

The council has a public art policy for commissioning, but does not have a specific public art collections policy. The need for a policy is recognised in the Milton Keynes Public Art Strategy and plans to develop one are in place. The public art collection forms part of the city heritage collection and as such a shared policy should be applied for collections, decommissioning and disposals.

The Council does not have any items in its collection which it can verify as being donated.

Civic Insignia

The council's Mayoral Insignia comprises assets which are pertinent to the council's position as a Borough, i.e. chains of office for the Mayor, Deputy Mayor Consort and respective consorts.

The council does not have a policy on acquisition and has no plans to dispose of any civic insignia assets.

The council does not have any items in its insignia collection which it can verify as being donated.

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Heritage Assets – Change In Accounting Policy

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the council.

Heritage assets are recognised as a separate class of assets for the first time in the 2011/12 financial statements.

Previously, heritage assets were either recognised as community assets (at cost) in the Property, Plant and Equipment classification in the Balance Sheet at nil value or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets.

The council's accounting policies for recognition and measurement of Heritage Assets are set out in the council's summary of significant accounting policies.

In applying the new accounting policy, the council has identified that two assets which were previously held as community assets within Property, Plant and Equipment at nil value should now be recognised as Heritage Assets.

In 2011/12 the Council has recognised an addition in the Balance Sheet for further Heritage Assets on a depreciated historic cost measurement basis for the amount of £12,408.

For assets held prior to 2011/12, there is a lack of reliable cost or valuation information available and the cost of obtaining the information outweighs the benefits to the users of the financial statements. These heritage assets are therefore not recognised in the Balance Sheet and as such, there is no effect on the opening Balance Sheet at 1st April 2010 and no transactions relating to Heritage Assets in the financial statements for 2010/11.

21. INVESTMENT PROPERTIES

The council does not have property interests held under operating leases which are classified or accounted for as investment property.

The following items of income have been accounted for in the Comprehensive Income and Expenditure Statement. There are no material direct operating expenses arising from investment property.

2010/11 £'000	2011/12 £'000
60 Rental income from investment property	60
0 Direct operating expenses arising from investment property	0
60 Net gain/(loss)	60

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Some investment properties are subject to Government consent for sale and a proportion of the proceeds paid to the Housing and Communities Agency. Other investment properties have restrictions not related to the consent / clawback referred to above and others are free from significant restrictions.

Some investment assets will be subject to contractual obligations in relation to future development. Investment assets leased out on either Full Repairing and Insuring Leases or on Ground Leases will not incur significant contractual expenditure.

The following table summarises the movement in the fair value of investment properties over the year.

2010/11 £'000	2011/12 £'000
20,253 Balance at start of the year	20,132
Additions:	
0 Purchases	0
0 Construction	0
0 Subsequent expenditure	0
0 Disposals	0
0 Net gains/losses from fair value adjustments	151
Transfers:	
0 To/from Inventories	0
(121) To/from Property, Plant and Equipment	0
0 Other changes	0
20,132 Balance at the end of the year	20,283

Notes to the Accounts

22. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

2010/11 £'000		2011/12 £'000
	Capital Investment	
47,879	Property, Plant & Equipment	29,057
0	Investment Properties	0
0	Heritage Assets	12
84	Intangible Assets	6
14,755	Revenue Expenditure Funded from Capital under Statute	5,981
62,718	Total	35,056
	Sources of Finance	
1,660	Capital Receipts	6,683
14,956	Supported Borrowing	4,242
4,037	Prudential Borrowing	(4,941)
236	Lease Finance	23
4,897	Major Repairs Allowance	8,092
32,787	Other Government Grants & Contributions	19,118
4,145	Revenue Contributions	1,839
62,718	Total	35,056
	Capital Financing Requirement	
259,709	Non-HRA Capital Financing Requirement	254,944
80,719	HRA Capital Financing Requirement	253,983
340,428	Total	508,927

23. INTANGIBLE ASSETS

The council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased software licenses and an embedded lease. The council does not hold any internally generated intangible assets.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the council. The useful lives assigned to each class of intangible asset are:

Notes to the Accounts

	Internally Generated Assets	Other Assets Purchased	Other Assets Leased
Useful Life	None	3 years	12 years

The council uses the carrying amount of intangible assets to amortise on a straight line basis rather than the re-valued amount. The amortisation for 2011/12 was £717,000 which was charged to the Cost of Service in the Comprehensive Income and Expenditure Statement.

The line items of the statement which contain material amounts of amortisation of intangible assets are Resources: Finance & HR Group £557,000, Children & Families Services £76,000 Resources: Public Access Group £42,000 and HRA £22,000.

The movement on Intangible Asset balances during the year is as follows:

	Other Assets Purchased £'000	Other Assets Leased £'000	Total 2010/11 £'000		Other Assets Purchased £'000	Other Assets Leased £'000	Total 2011/12 £'000
Balance at start of year 1 April 2011							
	756	6,686	7,442	Gross carrying amounts	840	6,686	7,526
	(323)	(3,343)	(3,666)	Accumulated amortisation	(535)	(3,900)	(4,435)
Net carrying amount at start of year 1 April 2011					305	2,786	3,091
				<i>Additions :</i>			
	0	0	0	Internal Development	0	0	0
	83	0	83	Purchases	6	0	6
	0	0	0	Acquired through business combinations	0	0	0
	0	0	0	Reclassifications	5	0	5
	(211)	(557)	(768)	Amortisation for the period	(160)	(557)	(717)
Net carrying amount at end of year 31					156	2,229	2,385
				Comprising :			
	840	6,686	7,526	Gross carrying amounts	851	6,686	7,537
	(535)	(3,900)	(4,435)	Accumulated amortisation	(695)	(4,457)	(5,152)
Total					156	2,229	2,385

A de-minimus level of £1,000 has been applied to expenditure on intangible assets.

The council holds an embedded lease intangible asset which is material to the Financial Statements. The leased intangible asset is for a SAP Computer System and has a carrying amount of £2,229,000 at 31st March 2012. The original costs include £617,000 for a Customer Relationship Management System, £537,000 for Portals and £3,687,000 for Core Applications. The remaining period of amortisation on this asset is four years.

There are contractual commitments for the acquisition of purchased Intangible Assets of £42,000 at 31st March 2012.

Notes to the Accounts

24. CURRENT ASSETS HELD FOR SALE

The movement of the current assets held for sale in 2011/12 are detailed in the table below:

2010/11 £'000		2011/12 £'000
6,669	Balance outstanding at 1st April 2011	907
	<i>Assets newly classified as held for sale:</i>	
489	Property, Plant and Equipment	363
0	Intangible Assets	0
0	Other assets/liabilities in disposal groups	0
0	Revaluation losses	(4)
3	Revaluation Gains	24
(164)	Impairment Losses	(20)
	<i>Asset declassified as held for sale:</i>	
(609)	Property, Plant and Equipment	(294)
0	Intangible Assets	0
0	Other assets/liabilities in disposal groups	0
(5,481)	Assets sold	(241)
0	Other Movements	(2)
907	Balance outstanding at 31st March 2012	733

25. DEBTORS

Long Term Debtors

31 Mar 2011 £'000		31 Mar 2012 £'000
78	Mortgages	50
9	Car Loans	15
2	Home Computer Initiative	1
483	Bodies External to Central Government	831
572	Total	897

Notes to the Accounts

Short Term Debtors

31 Mar 2011 £'000		31 Mar 2012 £'000
	Short Term Debtors	
6,764	Central Government Bodies	6,394
2,119	Other Local Authorities	2,023
267	NHS Bodies	1,014
0	Public Corporations and Trading Funds	0
15,919	Bodies External to Central Government	9,147
3,901	Council Tax Arrears	3,639
21	NNDR Arrears	0
2,717	Housing Rents	3,814
497	Landfill Allowances Asset Account	249
7	Council Staff Debtors	17
32,212	Total Short Term Debtors	26,297
36,438	Payments in Advance	32,575
68,650	Total Short Term Debtors	58,872

26. WORK IN PROGRESS AND INVENTORIES

Inventories and work in progress comprise:

	Balance outstanding at 1st April 2010	Purchases	Recognised as an expense in year	Written off balances	Reversal of write offs in previous years	Balance outstanding at 31st March 2011	Purchases	Recognised as an expense in year	Written off balances	Reversal of write offs in previous years	Balance outstanding at 31st March 2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Postage	31	180	(182)	0	0	29	136	(158)	0	0	7
ICES Pool *	26	1	0	0	0	27	12	0	0	0	39
Fuel	26	413	(396)	0	0	43	354	(371)	0	0	26
Main Stores	148	643	(565)	0	0	226	430	(457)	0	0	199
Work in Progress	66	528	(24)	(26)	0	544	79	(547)	0	0	76
Total	297	1,765	(1,167)	(26)	0	869	1,011	(1,533)	0	0	347

* Integrated Community Equipment Service pooled budget arrangement. See note 14a for further details.

Notes to the Accounts

27. CREDITORS

The analysis of short term creditors is as follows:

31 Mar 2011 £'000		31 Mar 2012 £'000
(6,873)	Central Government Bodies	(13,165)
(2,791)	Other Local Authorities	(3,379)
(254)	NHS Bodies	(3)
(28)	Public Corporations and Trading Funds	0
(37,495)	Bodies External to Central Government	(30,793)
(5,711)	Council Staff Creditors	(5,098)
(1,002)	Housing Rent Prepayments	(892)
(431)	Liability for Actual BMW Landfill Usage	(203)
(54,585)	Total Short Term Creditors	(53,533)

28. BORROWING REPAYABLE

Analysis of Loans by type:

31 Mar 2011 £'000		Range of Interest Rates - 31 March 2012	31 Mar 2012 £'000
	Source of Loan		
(285,298)	Public Works Loan Board	3.370% - 10.875%	(440,690)
(15,259)	Bonds	3.750% - 6.620%	(15,260)
(300,557)	Total		(455,950)

Analysis of Loans by maturity:

31 Mar 2011 £'000		31 Mar 2012 £'000
	<u>Borrowing repayable on demand or within 12 months</u>	
(15,033)	Borrowing repayable on demand or within 12 months	(15,174)
(2,320)	Accrued interest on borrowing repayable within a period in excess of 12 months	(2,212)
(17,353)	Total Borrowing repayable on demand or within 12 months	(17,386)
	<u>Borrowing repayable within a period in excess of 12 months</u>	
(10,000)	Maturing in 1 to 2 years	(18,000)
(59,150)	Maturing in 2 to 5 years	(41,150)
(14,154)	Maturing in 5 to 10 years	(17,904)
(199,900)	Maturing in more than 10 years	(361,510)
(283,204)	Total Borrowing repayable within a period in excess of 12 months	(438,564)
(300,557)	Total	(455,950)

Notes to the Accounts

29. PROVISIONS

The provisions are summarised in the table below, with further detail on each one provided as a note following the table:

	Balance at 31 March 2011 £'000	Additional provisions made in 2011/12 £'000	Amounts used in 2011/12 £'000	Unused amounts reversed in 2011/12 £'000	Unwinding of Discounting 2011/12 £'000	Balance at 31 March 2012 £'000	Short Term £'000	Long Term £'000
Housing Revenue Account								
a) Heating and Utilities Provision	(621)	0	19	22	0	(580)	(60)	(520)
b) Digital TV's Provision	0	(100)	0	0	0	(100)	(100)	0
	<u>(621)</u>	<u>(100)</u>	<u>19</u>	<u>22</u>	<u>0</u>	<u>(680)</u>	<u>(160)</u>	<u>(520)</u>
General Fund								
c) Home Bond Scheme Provision	(42)	0	0	0	0	(42)	0	(42)
d) Legal Provision	(10)	0	0	0	0	(10)	(10)	0
e) Overpaid Benefit Provision	(480)	(55)	0	0	0	(535)	0	(535)
f) IT & Transport Equipment Provision	(125)	(23)	13	0	0	(135)	(65)	(70)
g) Secklow Gate Bridge Provision	(213)	(143)	0	0	0	(356)	(356)	0
h) Environment Searches Provision	(212)	0	0	0	0	(212)	0	(212)
i) Volumetric Provision	(20)	0	0	20	0	0	0	0
j) Redundancy & Pension Strain Provision	0	(260)	0	0	0	(260)	(260)	0
k) Carbon Reduction Provision	0	(246)	0	0	0	(246)	(246)	0
l) The Open University Provision	(190)	0	157	33	0	0	0	0
m) HIMO Appeal Provision	(18)	0	18	0	0	0	0	0
	<u>(1,310)</u>	<u>(727)</u>	<u>188</u>	<u>53</u>	<u>0</u>	<u>(1,796)</u>	<u>(937)</u>	<u>(859)</u>
Total	<u>(1,931)</u>	<u>(827)</u>	<u>207</u>	<u>75</u>	<u>0</u>	<u>(2,476)</u>	<u>(1,097)</u>	<u>(1,379)</u>

a) Heating and Utilities Provision

This provision has been set aside to cover the costs of potential refunds to sheltered area tenants and leaseholders in respect of over-recovered utility costs. The provision consists of:

- Leaseholder utilities and administration overcharge – A £78,500 provision has been held in accounts since 2005 for potential claims in relation to excessive utilities and management recharges on leasehold stock in prior years. A management recharge methodology review and reconciliation was completed in 2011/12 and £18,500 of provision was released accordingly. The timing of cash flow and resolution is expected in 2012/13;
- Housing Stock Utilities overcharge provision – A £520,000 provision is held in the accounts for potential claims in relation to excessive utilities recharging on Housing stock tenants. The Service is to assess provision reduction in future years after

Notes to the Accounts

commencement of recharging restructure on Northgate SX3 rent system. This is due to be prepared during 2012/13 for potential implementation in 2013/14.

b) Digital TV's Provision

£100k provision has been put aside in 2011/12 as a general provision for loss relating to the recharge of Digital TV costs to tenants. The £1pw tenant recharge has been demonstrated not to recoup all of Milton Keynes Council's costs and the shortfall has been estimated to be in the region of £100,000. Work is currently being carried out to determine a breakeven rate and a decision / outcome is expected to be made within the year.

c) Home Bond Scheme Provision

In 2005/06 the council introduced a Home Bond pilot scheme, primarily financed through the Homelessness Grant to develop the availability of private sector accommodation. Instead of a rent deposit the Home Bond scheme provides a bond. This is an undertaking to cover damages or loss of rent up to the value of one months rent. In addition, separate rental arrangements are underwritten against wilful damage.

At the end of 2010/11 there were a total of 449 participants in the Home Bond scheme; the service has not been able to confirm the equivalent figure for 2011/12 so this has been left unchanged. There are 21 underwritten agreements bearing risk at the end of 2011/12.

It is recommended that this provision should be reviewed in the light of better record keeping in 2012/13.

d) Legal Provision

The council is currently in dispute with Excel Care concerning the funding of the block bed contract of the various Excel Care homes.

After seeking legal advice it was deemed prudent to create a provision of £10,000 to cover legal costs based on the likelihood of achieving a negotiated settlement.

This provision is expected to be resolved within the next financial year.

e) Overpaid Benefit Provision

The provision for loss of on-going benefits represents the potential loss on subsidy arising from non-recovery (write off) of on-going benefit debt.

Due to the way that the subsidy system works, if the authority recovers eligible overpayments (i.e. also gets the money back from Department for Work and Pensions (DWP)) this can lead to an overall increase in the percentage of subsidy recovered. This debt, referred to as the on-going benefit debt (OGB), can become significant as the amount that can be reclaimed is regimented.

The authority has already received the money from DWP if it is an eligible overpayment therefore the threshold rates of 60%; 40% and 0% do not apply - this is all straight 'profit' to the authority.

Notes to the Accounts

The authority does not record the subsidy transactions in its books; but rather reflects the end result i.e. the overall cost to the authority of providing benefits to claimants in accordance with the regulations laid out by DWP.

CIPFA neither recommends nor prohibits recording the subsidy transactions; however the authority regards that it would be prudent to recognise a potential decrease in the subsidy percentage in the accounts if significant amounts of on-going benefit debt was written off.

The authority has based its calculation on an assumption that if 18% of the above debt was written off and no more overpayments were created and recovered this could lead to a loss of subsidy.

f) IT & Transport Equipment Provision

This provision was created in 2001/02 to cover high expiry costs for any IT and transport equipment leased by the council on operating leases.

The balance in the provision is made up of regular monthly entries from additional rental charges made to service users.

Additional provision is made when new operating leases are entered into where the residual values included in the deal by the lessor are much higher than those expected by the service users. The amount in the provision for each lease on its expiry is then used to help cover potentially high expiry costs due to the high residual value.

In addition, the provision also includes an amount allocated for IT equipment which represents money refunded to the council as compensation in 2001/02 following the mishandling of lease tenders by the council's leasing broker at the time and an administration fee charged to a service who withdrew items from a lease drawdown at a late stage, after tenders had been received.

g) Secklow Gate Bridge Provision

Following a fire under the Secklow Gate Bridge during 2010, a provision has been created to account for the possibility that the third party insurance company will not pay the full costs incurred for the associated costs of the repair work. This uncertainty stems from the delay in the repairs being undertaken. The insurers have stated that they will cover costs incurred on repair and a "reasonable time period" of other associated costs.

The provision has been estimated as all of the actual costs incurred of both scaffolding and traffic management in 2011/12 and for a period of six months of costs in 2010/11.

The extent to which the provision will be required depends on the decision of the insurance company.

h) Environment Searches Provision

Following a legal ruling during 2010/11, the council may need to refund income received for searches undertaken in the last 6 years.

Notes to the Accounts

The value of the provision has been calculated based on the number of searches undertaken in this period, reduced by a grant of £34,000 from the Department of Communities and Local Government to reimburse the authority for both potential restitutionary claims and loss of fees forgone during 2010/11.

The extent to which the provision may be required depends on the number of claims made against the council following the ruling. It is not currently possible to estimate the likely number of claims.

i) Volumetric Provision

The council had created a provision to meet the cost of a potential volumetric claim payable to Mouchel Business Services following the implementation of the Supplier Relationship Management system.

The provision was reviewed during 2011/12 and reversed back to revenue. The claim has now been settled.

j) Redundancy & Pension Strain

A provision has been created to allow for the pension and redundancy costs of all employees given their notice on or before 31st March 2012 but where their last day of service is in 2012/13.

k) Carbon Reduction

In accordance with CIPFA LAAP Bulletin 91, issued February 2012, the council is required to create a provision to meet its obligations under the Carbon Reduction Commitment Energy Efficiency Scheme within 2011/12 accounts; the first year of such a requirement. This covers all properties including schools and academies within the borough.

l) Open University Provisions

This provision was created to fund a project at the V10 Brickhill Street as a result of a claim submitted by the Open University. The works were undertaken and completed during 2011/12 costing £157,000. The remaining £33,000 was reversed back to revenue as the provision was no longer required having undertaken the necessary works.

m) Housing in Multiple Occupation (HIMO) Appeal Provision

This provision was created in anticipation of the Judicial Review Judgement on the council's challenge to changes to HIMO Planning. This was based upon the potential of having costs awarded against the council using the value that was submitted in court.

The appeal was concluded in 2011/12 and costs were awarded against the council in year.

Notes to the Accounts

30. RESERVES

The following table provides details of the Reserves held by the council as detailed in the Movement in Reserves Statement.

Balance 31 Mar 2011 £'000		Notes	Balance 31 Mar 2012 £'000
	Usable Reserves		
(7,014)	General Fund Balance		(8,796)
(9,152)	Schools Balances		(10,755)
(3,566)	Housing Revenue Account Balance		(5,511)
(19,732)	Total Fund Balances		(25,062)
(18,095)	Total General Fund Earmarked Reserves		(26,191)
(4,528)	Total HRA Earmarked Reserves		(4,568)
(4,728)	Capital Receipts Reserve		(4,881)
(20,233)	Capital Grants Unapplied Reserve		(32,493)
(67,316)	Total Usable Reserves*		(93,195)
	Unusable Reserves		
(561,976)	Capital Adjustment Account	a	(375,890)
(95,049)	Revaluation Reserve	b	(102,633)
496	Financial Instruments Adjustment Account	c	519
142,165	Pensions Reserve	d	263,933
(1,779)	Collection Fund Adjustment Account	e	(2,114)
(8,334)	Deferred Capital Receipts	f	(2,496)
910	Accumulated Absences Account	g	927
(523,567)	Total Unusable Reserves		(217,754)
(590,883)	Total Authority Reserves		(310,949)

* Full details of the movement on the authority's usable reserves can be found in the Movement in Reserves Statement and Note 6, along with a description of the purpose of each reserve.

a) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the authority.

Notes to the Accounts

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 22 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

The table below shows the movement in year for the Capital Adjustment Account.

2010/11 £'000		2011/12 £'000	£'000
(711,378)	Balance at 1 April 2011		(561,976)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
32,448	Charges for depreciation and impairment of non-current assets	42,873	
138,645	Revaluation losses on Property, Plant and Equipment	7,899	
768	Amortisation of Intangible Assets	717	
10,344	Revenue Expenditure Funded from Capital Under Statute	1,604	
19,824	Amounts on non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	8,751	
<u>202,029</u>			<u>61,844</u>
(7,064)	Adjusting amounts written out of the Revaluation Reserve		(3,668)
(516,413)	Net written out amount of the cost of non-current assets consumed in the year		(503,800)
	Capital financing applied in the year:		
(1,660)	Use of the Capital Reserve to finance new capital expenditure	(6,683)	
(4,897)	Use of the Major Repairs Reserve to finance new capital expenditure	(8,092)	
(20,691)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(10,645)	
(4,545)	Application of grants to capital financing from the Capital Grants Unapplied Account	(4,261)	
(10,421)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(10,944)	
(3,349)	Capital expenditure charged against the General Fund and HRA balance	(1,675)	
<u>(45,563)</u>			<u>(42,300)</u>
0	Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(150)
0	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		0
0	HRA Self Financing		170,360
<u>(561,976)</u>	Balance at 31 March 2012		<u>(375,890)</u>

Notes to the Accounts

b) Revaluation Reserve

The Revaluation Reserve contains the gains made by the authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- Re-valued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1st April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2010/11 £'000		2011/12 £'000
(97,211)	Balance at 1 April 2011	(95,049)
(7,854)	Upward revaluation of assets	(19,841)
2,952	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	8,589
<u>(4,902)</u>	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<u>(11,252)</u>
1,754	Difference between fair value depreciation and historical cost depreciation	1,761
5,310	Accumulated gains on assets sold or scrapped	1,907
<u>7,064</u>	Amount written off to the Capital Adjustment Account	<u>3,668</u>
<u>(95,049)</u>	Balance at 31 March 2012	<u>(102,633)</u>

c) Financial Instrument Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The authority uses the account to manage premiums paid and discounts received on the early redemption of loans. Premiums and discounts are posted to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to this account in the Movement in Reserves Statement. Over time, the income/expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the impact on Council Tax.

Notes to the Accounts

In the council's case, for premiums this period is the unexpired term that was outstanding on the loans when they were redeemed or the period to the financial year in which the replacement loan is due to be repaid, whichever is the later, and for discounts is the shorter of the unexpired term of the replacement loan or 10 years.

2010/11 £'000		2011/12 £'000
446	Balance at 1 April 2011	496
0	Premiums and discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
50	Proportion of premiums and discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	23
50	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	23
496	Balance at 31 March 2012	519

d) Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2010/11 £'000		2011/12 £'000
263,795	Balance at 1 April 2011	142,165
(87,824)	Actuarial gains or losses on pensions assets and liabilities	117,600
(18,042)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	18,887
(15,764)	Employer's pension contributions and direct payments to pensioners payable in the year	(14,719)
142,165	Balance at 31 March 2012	263,933

Notes to the Accounts

e) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2010/11 £'000		2011/12 £'000
(430)	Balance at 1 April 2011	(1,779)
(1,349)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(335)
<u>(1,779)</u>	Balance at 31 March 2012	<u>(2,114)</u>

f) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2010/11 £'000		2011/12 £'000
(81)	Balance at 1 April 2011	(8,334)
(8,260)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	5,814
7	Transfer to the Capital Receipts Reserve upon receipt of cash	24
<u>(8,334)</u>	Balance at 31 March 2012	<u>(2,496)</u>

Notes to the Accounts

g) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2010/11 £'000		2011/12 £'000
1,104	Balance at 1 April 2011	910
(1,104)	Settlement or cancellation of accrual made at the end of the preceding year	(910)
910	Amounts accrued at the end of the current year	927
(194)	Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	17
910	Balance at 31 March 2012	927

31. CASH AND CASH EQUIVALENTS

The table below provides an analysis of the components of cash and cash equivalents.

	Balance 31 Mar 2011 £'000	Balance 31 Mar 2012 £'000	Movement In Year £'000
Cash held by the Authority	953	639	(314)
Short-term deposits with Financial Institutions	8,640	2,233	(6,407)
Bank Overdraft	(18,374)	(10,853)	7,521
Total Cash & Cash Equivalents	(8,781)	(7,981)	800

Notes to the Accounts

32. NET CASH FLOW FROM OPERATING ACTIVITIES

The table below provides an analysis of non cash items and investing and financing activities included in the provision of services as presented in the Cash Flow Statement.

2010/11 £'000		2011/12 £'000
102,567	Net (Surplus)/Deficit on the provision of services	171,627
	<u>Adjustments to net Surplus or deficit on the provision of services for non-cash movements</u>	
(166,964)	Depreciation and Impairment of Non-Current Assets	(43,247)
30,497	Capital Grants and Contributions	27,166
71	(Increase) / Decrease in Creditors	(36)
(17,796)	Increase / (Decrease) in Debtors	(4,049)
572	Increase / (Decrease) in Inventories and Work in Progress	(522)
(667)	(Increase) / Decrease in Provisions	(545)
33,806	Pension Assets / Liabilities	(4,168)
(9,714)	Carrying Amount of Non-Current Assets Sold	(7,425)
(50)	Financial Instruments	0
(878)	Housing Capital Receipts Pool	(458)
0	Amortised Premiums	0
(4,282)	Revenue Expenditure Funded from Capital Under Statute	4,377
1,959	Local Government Reorganisation Transferred Debt	1,959
6,337	Other non-cash items charged to the net surplus or deficit on the Provision of Service	1,610
(127,109)	Total Non-Cash Items in the Provision of Services	(25,338)
0	Total Investing and Financing activities included in the Provision of Services	0
(14,298)	Reversal of operating activity items included in the net surplus or deficit on the Provision of Services that are shown separately	(13,680)
	<u>Cash flow from interest received and paid</u>	
15,474	Interest Paid	14,848
77	Interest element of Finance Leases	77
(1,559)	Interest Received	(1,698)
13,992	Total Cash Flow from Interest Received and Paid	13,227
(24,848)	Net Cash flow from Operating Activities	145,836

Notes to the Accounts

33. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the council's Cabinet on the basis of budget reports analysed across Service Groups. These reports are prepared on a different basis from the accounting policies used in the Financial Statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to directorates.

The table on the following page shows the income and expenditure of the council principle Service Groups recorded in the budget reports for the year:

Notes to the Accounts

2011/12	Resources: Finance & HR £'000	Resources: Public Access £'000	Adult Social Care & Health £'000	Housing & Community £'000	Regulatory Unit £'000	Community Facilities Unit £'000	Integrated Support £'000	Education, Effectiveness & Participation £'000	Planning, Economy & Development £'000	Total Carried Forward to Below
Government Grants	(116,909)	(736)	(9,827)	(505)	(32)	(469)	(1,999)	(21,038)	(3,594)	(155,109)
Fees, Charges & Other Service Income	(2,228)	(1,466)	(13,469)	(1,170)	(3,112)	(2,223)	(1,193)	(5,640)	(3,635)	(34,136)
TOTAL INCOME	(119,137)	(2,202)	(23,296)	(1,675)	(3,144)	(2,692)	(3,192)	(26,678)	(7,229)	(189,245)
Employee Costs	6,289	548	19,788	1,302	3,284	3,563	16,001	12,061	3,299	66,135
Other Operating Expenses	142,281	5,885	54,908	1,941	1,303	4,013	22,737	21,073	2,094	256,235
Support Service Recharges	(24,185)	(6,760)	3,382	1,185	1,870	2,209	5,223	5,660	970	(10,446)
TOTAL EXPENDITURE	124,385	(327)	78,078	4,428	6,457	9,785	43,961	38,794	6,363	311,924
Contributions to/(from) Reserves	812	669	295	446	66	(110)	525	(2,185)	3,238	3,756
NET EXPENDITURE	6,060	(1,860)	55,077	3,199	3,379	6,983	41,294	9,931	2,372	126,435

	Total Brought Forward from Above £'000	Highways & Transportation £'000	Neighbourhood Services £'000	Organisational Transformation £'000	Corporate Core £'000	Debt Financing £'000	Housing Revenue Account £'000	Schools £'000	Central Resources £'000	All Service Groups Total £'000
Government Grants	(155,109)	(1,068)	0	0	0	0	0	(161,599)	(101,782)	(419,558)
Fees, Charges & Other Service Income	(34,136)	(13,628)	(2,783)	(11)	(300)	(1,794)	(49,720)	(5,479)	(97,504)	(205,355)
TOTAL INCOME	(189,245)	(14,696)	(2,783)	(11)	(300)	(1,794)	(49,720)	(167,078)	(199,286)	(624,913)
Employee Costs	66,135	2,349	6,666	367	2,551	0	3,265	125,596	0	206,929
Other Operating Expenses	256,235	12,353	27,745	34	1,488	24,654	38,798	35,801	9,232	406,340
Support Service Recharges	(10,446)	10,488	(6,121)	12	490	(2,039)	7,616	0	0	0
TOTAL EXPENDITURE	311,924	25,190	28,290	413	4,529	22,615	49,679	161,397	9,232	613,269
Contributions to/(from) Reserves	3,756	554	55	(1)	44	670	224	4,452	108	9,862
NET EXPENDITURE	126,435	11,048	25,562	401	4,273	21,491	183	(1,229)	(189,946)	(1,782)

Notes to the Accounts

2010/11	Resources: Finance & HR £'000	Resources: Public Access £'000	Adult Social Care & Health £'000	Housing & Community £'000	Regulatory Unit £'000	Community Facilities Unit £'000	Integrated Support £'000	Education, Effectiveness & Participation £'000	Planning, Economy & Development £'000	Total Carried Forward to Below
Government Grants	(113,113)	(52)	(10,153)	(580)	(34)	(422)	(2,578)	(21,637)	(2,263)	(150,832)
Fees, Charges & Other Service Income	(2,220)	(1,723)	(12,270)	(1,077)	(3,001)	(1,893)	(2,893)	(20,235)	(1,813)	(47,125)
TOTAL INCOME	(115,333)	(1,775)	(22,423)	(1,657)	(3,035)	(2,315)	(5,471)	(41,872)	(4,076)	(197,957)
Employee Costs	7,559	584	23,003	1,673	4,195	4,077	19,147	17,979	3,306	81,523
Other Operating Expenses	136,600	5,950	53,294	2,186	1,537	5,476	25,460	27,976	1,672	260,151
Support Service Recharges	(22,130)	(6,925)	3,453	833	1,593	2,127	5,020	4,993	1,606	(9,430)
TOTAL EXPENDITURE	122,029	(391)	79,750	4,692	7,325	11,680	49,627	50,948	6,584	332,244
Contributions to/(from) Reserves	(157)	206	241	118	(84)	24	(28)	(979)	(514)	(1,173)
NET EXPENDITURE	6,539	(1,960)	57,568	3,153	4,206	9,389	44,128	8,097	1,994	133,114
	Total Brought Forward from Above £'000	Highways & Transportation £'000	Neighbourhood Services £'000	Organisational Transformation £'000	Corporate Core £'000	Debt Financing £'000	Housing Revenue Account £'000	Schools £'000	Central Resources £'000	All Service Groups Total £'000
Government Grants	(150,832)	(1,841)	(161)	0	(301)	0	0	(194,635)	(25,443)	(373,213)
Fees, Charges & Other Service Income	(47,125)	(11,683)	(19,997)	46	(67)	(1,166)	(53,251)	(6,752)	(231,307)	(371,302)
TOTAL INCOME	(197,957)	(13,524)	(20,158)	46	(368)	(1,166)	(53,251)	(201,387)	(256,750)	(744,515)
Employee Costs	81,523	2,782	7,937	253	3,104	0	4,161	159,420	0	259,180
Other Operating Expenses	260,151	15,956	42,486	75	1,602	23,910	39,040	46,448	49,180	478,848
Support Service Recharges	(9,430)	6,632	(2,214)	(344)	253	(1,742)	6,809	0	36	0
TOTAL EXPENDITURE	332,244	25,370	48,209	(16)	4,959	22,168	50,010	205,868	49,216	738,028
Contributions to/(from) Reserves	(1,173)	113	(233)	9	7	0	3,630	(436)	4,574	6,491
NET EXPENDITURE	133,114	11,959	27,818	39	4,598	21,002	389	4,045	(202,960)	4

Notes to the Accounts

Reconciliation between Amounts Reported for Resource Allocation Decisions and the Comprehensive Income and Expenditure Statement

The table below illustrates how the Amounts Reported for Resource Allocation Decisions (previous disclosure) reconciles to the Cost of Services reported in the Comprehensive Income and Expenditure Statement, by identifying and illustrating amounts not reflected in either the Amounts Reported for Resource Allocation Decisions or the Comprehensive Income and Expenditure Statement.

2010/11 £'000		2011/12 £'000
	Net expenditure in the Amount Reported for Resource Allocation 4 Decisions	(1,782)
	0 Net expenditure on services and support services not included in the Analysis	0
95,783	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Amount Reported for Resource Allocation Decisions	177,335
197,993	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	197,659
293,781	Cost of Services in Comprehensive Income and Expenditure Statement	373,212

Notes to the Accounts

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Service Group income and expenditure relate to a subjective analysis of the Surplus of Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2011/12	Amount Reported for Resource Allocation Decisions £'000	Services & Support Services not in Analysis £'000	Amounts not Reported to Management in Decision Making £'000	Amounts not included in I&E £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other Service Income	(104,959)	0	0	67,596	0	(37,363)	(67,596)	(104,959)
Interest and Investment Income	(1,797)	0	0	1,797	0	0	(1,797)	(1,797)
Income from Council Tax	(98,599)	0	0	98,599	0	0	(98,599)	(98,599)
Government Grants	(419,558)	0	0	64,450	0	(355,108)	(64,450)	(419,558)
TOTAL INCOME	(624,913)	0	0	232,442	0	(392,471)	(232,442)	(624,913)
Employee Expenses	206,927	0	4,185	(2,739)	0	208,373	2,739	211,112
Other Service Expenses	395,291	0	129,903	(11,131)	0	514,063	(679)	513,384
Support Service Recharges	0	0	0	0	0	0	0	0
Depreciation, Amortisation & Impairment	0	0	43,247	0	0	43,247	0	43,247
Interest Payments	15,477	0	0	(15,477)	0	0	15,477	15,477
Precepts and Levies	5,436	0	0	(5,436)	0	0	5,436	5,436
Payments to the Housing Capital	0	0	0	0	0	0	458	458
Receipts Pool	0	0	0	0	0	0	7,426	7,426
Gain/Loss on Disposal of Non-current Assets	0	0	0	0	0	0	7,426	7,426
TOTAL EXPENDITURE	623,131	0	177,335	(34,783)	0	765,683	30,857	796,540
Surplus/Deficit on the Provision of Services	(1,782)	0	177,335	197,659	0	373,212	(201,585)	171,627

Notes to the Accounts

2010/11 Comparators	Amount Reported for Resource Allocation Decisions £'000	Services & Support Services not in Analysis £'000	Amounts not Reported to Management in Decision Making £'000	Amounts not included in I&E £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(271,802)	0	0	76,225	0	(195,577)	(76,225)	(271,802)
Interest and Investment Income	(1,253)	0	0	1,253	0	0	(1,253)	(1,253)
Income from council tax	(98,248)	0	0	98,248	0	0	(98,248)	(98,248)
Government Grants	(373,212)	0	0	56,421	0	(316,791)	(56,421)	(373,212)
TOTAL INCOME	(744,515)	0	0	232,147	0	(512,367)	(232,147)	(744,514)
Employee Expenses	259,180	0	(34,000)	(9,934)	0	215,246	9,934	225,180
Other service expenses	464,499	0	(37,181)	(3,380)	0	423,938	(433)	423,505
Support Service recharges	0	0	0	0	0	0	0	0
Depreciation, Amortisation & Impairment	0	0	166,964	0	0	166,964	0	166,964
Interest Payments	15,551	0	0	(15,551)	0	0	15,551	15,551
Precepts and Levies	5,289	0	0	(5,289)	0	0	5,289	5,289
Payments to the Housing Capital Receipts Pool	0	0	0	0	0	0	878	878
Gain/Loss on Disposal of Non-current Assets	0	0	0	0	0	0	9,714	9,714
TOTAL EXPENDITURE	744,519	0	95,783	(34,154)	0	806,148	40,933	847,081
Surplus/Deficit on the Provision of Services	4	0	95,783	197,993	0	293,781	(191,214)	102,567

Notes to the Accounts

34. FINANCIAL INSTRUMENTS

International Financial Reporting Standard IAS 39 Financial Instruments Recognition and Measurement, IAS 32 Financial Instruments Presentation and IFRS 7 Financial Instruments Disclosures require that all local authorities provide information about the impact of financial instruments on their risk profile, how the risks arising from financial instruments might affect their performance and financial condition, and how these risks are being managed.

a. Financial Instrument Balances

The borrowings, investments, trade debtors and creditors disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31 Mar 2011 £'000	31 Mar 2012 £'000	31 Mar 2011 £'000	31 Mar 2012 £'000
Loans and Receivables	5,000	10,000	76,073	91,880
Available-for-sale Financial Assets	0	0	0	0
Unquoted Equity Investment at Cost	0	0	0	0
Financial Assets at Fair Value through Profit or Loss	0	0	0	0
Total Investments	5,000	10,000	76,073	91,880
Loans and Receivables	0	0	21,680	11,221
Financial Assets at Fair Value through Profit or Loss	0	0	0	0
Total Debtors	0	0	21,680	11,221
Financial Liabilities at Amortised Cost	(283,204)	(438,564)	(17,353)	(17,386)
Financial Liabilities at Fair Value Through Profit and Loss	0	0	0	0
Total Borrowings	(283,204)	(438,564)	(17,353)	(17,386)
PFI and Finance Lease Liabilities	(5,465)	(4,163)	0	0
Total Other Long Term Liabilities	(5,465)	(4,163)	0	0
Financial Liabilities at Amortised Cost	0	0	(33,476)	(41,352)
Financial Liabilities carried at Contract Amount	0	0	0	0
Total Creditors	0	0	(33,476)	(41,352)

b. Reclassifications of financial instruments

During the financial year there have been no reclassifications between financial assets measured at fair value and those measured at amortised cost.

Notes to the Accounts

c. De-recognition of financial instruments

There have been no financial assets transferred in such a way that the assets did not qualify for de-recognition during the financial year.

d. Allowance account for credit losses

The council has created an allowance for non-payment of debts. Each class of debt is reviewed and any impairment resulting from issues such as changes in the economic climate or the financial position of the debtor is calculated. This is known as the incurred losses method.

e. Defaults and Breaches

In respect of loans payable by the council during the year, there have been no breaches or defaults.

f. Financial Instruments Income, Expenses, Gains and Losses

The income, expenses, gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2010/11 Financial Liabilities Measured at Amortised Cost £'000	2010/11 Financial Assets: Loans and Receivables £'000		2011/12 Financial Liabilities Measured at Amortised Cost £'000	2011/12 Financial Assets: Loans and Receivables £'000
(15,595)	0	Interest Expense	(15,581)	0
0	0	Losses on De-recognition	0	0
0	0	Impairment Losses	0	0
0	0	Fee Expense	0	0
		Total expense in Surplus or Deficit on the		
(15,595)	0	Provision of Services	(15,581)	0
0	1,300	Interest Income	0	1,844
0	0	Interest Income Accrued on Impaired Financial assets	0	0
0	0	Gains on Derecognition	0	0
0	0	Fee Income	0	0
		Total Income in Surplus or Deficit on the		
0	1,300	Provision of Services	0	1,844
		Total Surplus or Deficit on the Provision		
(15,595)	1,300	of Services	(15,581)	1,844

Notes to the Accounts

g. Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets are represented by loans and receivables and carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Information supplied by PWLB at 31st March 2012 for PWLB loans and by Sector for other loans and receivables;
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair value of the liabilities is greater than the carrying amount because the council's portfolio of loans is comprised of fixed rate loans where the interest rate payable is higher than the prevailing rate at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2012) arising from a commitment to pay interest to lenders above current market rates.

The fair value of assets is higher than the carrying amount because the council's portfolio of investment includes a number of fixed rate investments where the interest rate receivable is higher than the rates available for similar investments at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31st March 2012) attributable to the commitment to receive interest above current market rates.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

31 Mar 2011			31 Mar 2012	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
285,298	286,610	Public Works Loan Board	440,690	446,414
15,259	17,674	Market Borrowing	15,260	16,260
33,476	33,476	Short Term Trade Creditors	41,352	41,352
334,033	337,760	Financial Liabilities at Amortised Cost	497,302	504,026
81,073	81,135	Investments	101,880	102,413
21,680	21,680	Short Term Trade Debtors	11,221	11,221
102,753	102,815	Loans and Receivables	113,101	113,634

h. Nature and Extent of Risks Arising from Financial Instruments

The council activities expose it to a variety of financial risks:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the council;

Notes to the Accounts

- Liquidity Risk – the possibility that the council might not have funds available to meet its commitments to make payments;
- Market Risk – the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates and stock market movements.

The council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the council in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers. This risk is minimised through the Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet strict assessment criteria, including review of credit ratings from all three major rating agencies - Fitch, Moody's and Standard & Poors, analysis of market data, and is included on a matrix of recommended counterparties compiled by the council's treasury advisors. The Treasury Management Strategy sets out the process of setting maximum amounts and durations that deposits may be invested with a financial institution. The priorities of the council's investment strategy are, strictly in order:

1. security of capital
2. liquidity of cash resources
3. yield return on resources

The council's treasury management risks are kept under constant review and actively managed on a daily basis. Whilst the continued credit crisis in international markets has raised the overall possibility of default, the council's strict assessment criteria for investment counterparties and active management minimises such risk.

The Corporate Director Resources has the delegated authority through the approved Treasury Management Strategy to further restrict or relax the investment names, limits and durations in order to safeguard the council's resources.

During 2011/12 the council took a number of further steps to minimise credit risk. This has ranged from further restricting deposit sums and durations to, where appropriate, removing institutions from the counterparty list and withdrawing deposits.

The investment criteria outlined above ensured that financial assets held by the authority at 31st March 2012 were held with institutions that fall into the categories outlined below:

- UK part-nationalised institutions; up to £35 million maximum per institution, deposited for a period up to one year, periods in excess of one year considered on case-by-case basis for longer term resources;

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- UK-registered institutions eligible for the UK Government's Credit Guarantee Scheme; between £25-30 million maximum per institution, deposited for a period up to three months;
- Highly credit rated institutions of AAA sovereign countries with very strong market datasets; up to £30m maximum per institution, deposited for a period up to three months.

In addition, the council's counterparty list also included:

- Debt Management Office (UK government); unlimited.

Customers for goods and services are assessed taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with perimeters set by the council.

The following analysis summarises the council's potential maximum exposure to credit risk on other financial assets, based on experience of default and un-collectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 Mar 2012 £'000 A	Historical Experience of Default % B	Historical Experience Adjusted for Market Conditions at 31 Mar 2012 % C	Estimated Maximum Exposure to Default and Uncollectability £'000 D
Deposits with Banks and Financial Institutions	101,880	0.00%	0.00%	0
Bonds	0	0.00%	0.00%	0
Customers:	3,960	14.80%	14.80%	586
Total				586

The past due amount which has not been impaired can be analysed by age as follows:

2010/11 £'000		2011/12 £'000
1,670	Less than three months	534
194	Three to six months	247
139	Six months to one year	72
486	More than one year	523
2,489		1,376

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The past due amount which has been impaired can be analysed as follows:

2010/11 £'000		2011/12 £'000
30	Less than three months	1
186	Three to six months	79
154	Six months to one year	147
1,498	More than one year	917
1,868		1,144

The factors considered by the council in taking the decision to impair the debt include:

- Any significant financial difficulty for the borrower;
- Any breach of contract or default;
- The council having granted a concession based on difficulty for the borrower;
- The likelihood of the borrower entering bankruptcy;
- Any observable data indicating a measurable decrease in future estimated cash flows.

The council holds no collateral in respect of the outstanding debt detailed above.

Liquidity Risk

As the council has ready access to borrowing from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the council may have to raise new loans at a time of unfavourable interest rates. In this instance short term loans will be taken until rates become favourable.

The table below sets out the maturity analysis of financial liabilities held by the council.

2010/11 £'000		2011/12 £'000
15,000	Less than one year	15,000
10,000	Between one and two years	18,000
59,150	Between two and five years	41,150
214,054	More than five years	379,414
298,204		453,564

Market Risk

The council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments and has a number of strategies for managing interest rate risk. These are set out in the annual Treasury Management Strategy which is approved by council in February each year.

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The table below sets out the financial impact if interest rates had been 1% higher.

2010/11 £'000		2011/12 £'000
0	Increase in interest payable on variable rate borrowings	0
(479)	Increase in interest receivable on variable rate investments	(697)
(2,815)	Increase in government grant receivable for financing costs	(2,703)
<u>(3,294)</u>	Surplus or Deficit on the Provision of Services	<u>(3,400)</u>
<u>(773)</u>	Share of overall impact debited to the HRA	<u>(810)</u>
<u>6</u>	Decrease in fair value of fixed rate investment assets Impact on Other Comprehensive Income and Expenditure	<u>(603)</u>
<u>29,323</u>	Decrease in fair value of fixed rate borrowings liabilities	<u>51,682</u>

Price Risk

The council does not invest in equity shares and therefore is not exposed to losses arising from movements in the prices of shares.

Foreign Exchange Risk

The council has no financial assets or liabilities denominated in foreign currencies and therefore have no exposure to loss arising from movements in exchange rate.

Notes to the Accounts

35. LEASES

a. Council as Lessee

Finance Lease

The council has acquired IT items, Vehicles, Plant and Equipment under finance leases.

The assets acquired under these leases are carried as Vehicles, Plant and Equipment and Intangibles in the Balance Sheet at the following net amounts:

31 Mar 2011 £'000		31 Mar 2012 £'000
2,719	Vehicles, Plant, Furniture and Equipment	1,964
2,786	Intangibles	2,228
5,505		4,192

The council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest and finance costs that will be payable by the council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 Mar 2011 £'000		31 Mar 2012 £'000
	Finance lease liabilities (net present value of minimum lease payments):	
1,357	- current	1,264
4,108	- non-current	2,899
322	Finance costs payable in future years	249
5,787		4,412

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 Mar 2011 £'000	31 Mar 2012 £'000	31 Mar 2011 £'000	31 Mar 2012 £'000
Not later than one year	1,433	1,389	1,357	1,264
Later than one year and not later than five years	4,354	3,023	4,108	2,899
Later than five years	0	0	0	0
	5,787	4,412	5,465	4,163

Notes to the Accounts

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 there were no contingent rents payable by the council (2010/11 £0).

The council does not sub-let any of the assets acquired under these finance leases.

Operating Lease

The council has acquired some of its Vehicles, Plant and Equipment by entering into operating leases, with typical lives of 5 years. It also leases some of its property.

The future minimum lease payments due under non-cancellable leases in future years are:

31 Mar 2011 £'000		31 Mar 2012 £'000
2,457	Not later than one year	1,939
6,143	Later than one year and not later than five years	5,209
4,747	Later than five years	3,550
<u>13,347</u>		<u>10,698</u>

The council has sub-let one of the property assets acquired under these operating leases.

At 31st March 2012 the future minimum sub-lease payments expected to be received under non-cancellable sub-leases were £37,100 (£39,200 31st March 2011).

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31 Mar 2011 £'000		31 Mar 2012 £'000
2,902	Minimum Lease Payments	2,419
0	Contingent Rents	0
0	Sublease Payments Receivable	0
<u>2,902</u>		<u>2,419</u>

b. Council as Lessor

Finance Leases

The council has not leased out any property on a finance lease.

Operating Leases

The council leases out property under operating leases for the following purposes:

Notes to the Accounts

- for the provision of community services, such as sports facilities, tourism services and community centres;
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 Mar 2011 £'000		31 Mar 2012 £'000
1,578	Not later than one year	1,909
4,759	Later than one year and not later than five years	4,873
16,150	Later than five years	18,318
<u>22,487</u>		<u>25,100</u>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £126,000 contingent rents were receivable by the council (£91,000 in 2010/11).

36. LONG TERM CONTRACTS

Public Private Partnership - Mouchel Business Services

On 1st January 2004 the council entered into a 12 year contract with HBS, now trading as Mouchel Business Services at an approved cost of £207,120,000 excluding inflation, work volume changes or any additional work commissioned. The contract, which is a public private partnership arrangement, covers the provision of administration, facilities management, finance, human resources, ICT, revenues and benefits and management of several other services. As at 31st March 2012 there was an undischarged obligation under this contract, calculated pro rata on a 2004 price base, of £64,725,000.

Responsive Repairs and Voids

In April 2006, the council entered into a contract with MITIE Property Services UK Ltd for responsive repairs to council housing stock. The actual level of payments will depend on the council's take up of repairs work but has an estimated value of £25,000,000. The contract has been extended for another four years, and is now due to end in March 2016.

Council Housing Stock

In October 2005, the council entered into a four year contract with Apollo London Ltd to be a strategic partner in major works to council housing stock. In November 2009, the council entered into an additional four year contract with Apollo Group to continue these services. The contract is valued at £16,000,000 and is scheduled to end in November 2013.

Notes to the Accounts

In April 2009, the council entered into a contract with Potton Windows Ltd for replacement windows and doors to council housing stock. The contract is valued at £8,000,000 and is scheduled to end in March 2013.

Waste

In March 2008, the council entered into a contract with Serco Limited for the collection and disposal of waste within the borough. The value of the contract with Serco is £11,365,785 and it is now due to end in March 2019. The contract has further extension provision for 4 years.

Residual Waste

In October 2010, the council entered into a contract with Waste Recycling Group (WRG) for Residual Waste (Including Hazardous Waste). The contract value varies each year, dependent on the amount of waste disposed of, but is currently around £4 million.

The contract is due to expire in November 2014, but could be extended for a further 3 years, in line with the commencement of the Residual Waste Treatment Facility. An extension would increase the total awarded contract value to £28,000,000.

The terms and conditions of the contract include a clause which states that after completion of the first year of the contract, the council may, at its sole discretion, seek novation of the contract. The contract may also be terminated to align with the proposed Residual Waste Treatment Facility or in the event that the council decides to proceed with a new joint Residual Waste Disposal and Treatment contract with Bedford Borough and Central Bedfordshire Councils.

Construction Related Professional Services

In January 2009, the council entered into a three year contract with Cyril Sweett, Hewitt Freeborn and Currie and Browne, which has been extended for a further year for the project management, cost control, construction, design and management consultancy (CDMC). The contract is valued at £6,800,000 and is scheduled to end in January 2013.

Parking Management Services

In October 2005, the council entered into a contract with NSL Limited for Parking Enforcement Services. The total value for the contract is £10,500,000. This contract is due to end in February 2013.

Provision of Temporary Workers

This contract was awarded to Manpower UK Ltd in February 2011 for a period of 3 years, with a potential one year extension. All requirements for temporary staff are routed via this contract and the contract guarantees no minimum value or volume. The estimated value of this contract is £18,800,000.

Notes to the Accounts

Personal Care Services

The council entered into a contract with Extracare Charitable Trust for homecare services for older people who live in Lovat Fields Retirement Village. The aim of this domiciliary care is to enable people to maintain their safe independence at home as an alternative to going into a nursing care home. The contract commenced in May 2007 and is due to end in April 2027. The total value for the contract is £39,467,880.

Residential & Nursing Homes

The council entered into a contract with Excelcare Holdings in November 2003 to provide residential and nursing care for older people eligible for social care funding. The contract is due to end in January 2033 and the total contract value is £192,610,800.

37. RELATED PARTY TRANSACTIONS

The council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows an assessment of the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

Central Government

The UK Government has significant influence over the general operations of the authority – it is responsible for providing the statutory framework within which the council must operate, provides the majority of its funding in the forms of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax, housing benefits etc). Grants received from government departments are set out in the Grant Income disclosure at Note 17 to the Financial Statements.

Other Public Bodies (subject to common control by central government)

The council has three pooled budget arrangements with the Milton Keynes Primary Care Trust. Full details of the transactions for each of the pooled arrangements can be found at Note 14.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid during 2011/12 is shown in Note 11. During 2011/12, works and services to the value of £1.238m were commissioned from organisations in which 21 members had an interest. Of this sum, £283,000 was paid to Milton Keynes College for the provision of education related services, and £217,000 was paid to the Milton Keynes YMCA for the provision of accommodation and support to young people.

Notes to the Accounts

In addition, the council paid grants totalling £221,000 to voluntary and charitable organisations in which 16 members had positions on the governing body. Of this sum, £114,000 was paid to Artworks MK to support the provision of a cultural education programme. In all cases, grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants.

Income received during 2011/12 totalled £218,000 (£585,000 in 2010/11) from 18 organisations in which 20 members had an interest. Of this sum, £141,000 was received from Waste Recycling Environmental Ltd for contributions to play areas.

Related parties have been included in this note irrespective of whether there have been financial transactions with the council.

Details of all member disclosures are recorded in the Register of Members Interests and individual disclosures can be viewed online at <http://cmis.milton-keynes.gov.uk/CmisWebPublic/Members.aspx>.

Officers

All staff employed by the council are required to declare any interest or involvement with a third party which could give rise to a related party transaction. In accordance with the Code of Practice 2011/12, the disclosures made by key management personnel have been considered. However, no disclosures have been made which give rise to a related party transaction disclosure requirement.

Assisted Organisations

During 2011/12, 61 additional organisations who do not have any involvement with Members or key management personnel but who were in receipt of financial assistance by way of grant funding received £2.099m during the year.

Of this sum, £489,000 was paid to 33 sport and community facilities providers such as meeting places, community centres and sport groups to assist them in funding the cost of maintaining the centres and paying hire charges to enable community groups to use the facilities. In addition, 4 organisations whose activity supports the council's housing needs agenda received £241,000.

Connections Floating Support in Partnership with Milton Keynes PACT (Parents and Children Together) provides a service to empower individuals and families to be able to maintain their own home and live independently. The council paid £552,000 in 2011/12 to ensure support for 250 vulnerable adults at risk of losing their accommodation.

MK Women's Aid work to prevent and protect women and children from domestic violence. During 2011/12, the council paid £348,000 for 28 refuge places, a floating support service and crisis intervention support.

Notes to the Accounts

Milton Keynes Cenotaph Trust

The Milton Keynes Cenotaph Trust (also known as the Milton Keynes Rose Trust) is a registered charity, led by an independent management committee. The committee consists of six individuals – which include one council officer and two council members, although one of these is acting on behalf of the Royal British Legion. The council has not formally nominated any member or officer to stand on this committee and is not named as being entitled to nominate in the Trust Deed.

Milton Keynes Council offers support and advice to the Trust as required, and in the form of administrative and meeting facilities, legal and financial advice, arts and heritage advice and provides the charity with a registered address. The Trust does not pay for any of the services provided by the council.

During 2011/12, the council paid the Trust a £110,000 contribution towards the cost of building a cenotaph in Central Milton Keynes.

The purpose of the Trust is to design and install a commemorative cenotaph within the Central Milton Keynes area.

Outstanding Balances

The outstanding amounts owed by related parties at the end of 31st March 2012 totalled £33,000 (£177,000 at 31st March 2011).

The outstanding amount owed to related parties at the end of 31st March 2012 totalled £113,000 (£572,000 31st at March 2011). This sum includes £83,000 owed to Bletchley Park Trust which includes funding for roof repairs and Heritage Lottery Grant funding for specialist training activities and collections care for public access.

Details of all transactions are available for inspection on request and are included in the Comprehensive Income and Expenditure Statement. No other material related party transactions have been disclosed.

Organisations Formally Influenced by the Authority

The council has appointed directors to the boards of independent organisations therefore potentially allowing the council to exercise voting rights. These appointments are made in response to requests from the organisations concerned because of a common purpose or activity in relation to the council's own diverse activities, and not to oversee any financial investment made by the council.

Those organisations with whom the council has more than 20% representation and therefore the potential to exercise significant influence are detailed below. The financial information has been compiled using 2010/11 audited information.

Inter-Action Ltd

Milton Keynes Council has 22% representation (two members appointed by the council) on the Board of Directors of Inter-Action Ltd which is a company limited by guarantee and not

Notes to the Accounts

having share capital. At 31st March 2011 the company's net assets were £60,287 (£90,597 at 31st March 2010) and the deficit for 2010/11 was £30,310 (£18,748 surplus reported for 2009/10).

The company provides a city farm facility, a community cultural garden and facilities for other voluntary sector organisations.

In 2011/12, the council paid Inter-Action Ltd £33,000 for works and services and a further £76,000 in grant funding.

Madcap Trust Ltd

Milton Keynes Council has 29% representation (two members appointed by the council) on the Board of Directors of the Madcap Trust Ltd which is a charitable company limited by guarantee and not having share capital. At 31st March 2011 the company's net assets were £75,418 (£85,870 at 31st March 2010) and the surplus for 2010/11 was £10,452 (£12,337 for 2009/10).

The charity aims to increase awareness and appreciation of the performing arts through active participation. This is achieved by providing premises and resources for the performance and tuition of the arts.

In 2011/12, the council paid the Madcap Trust Ltd £9,000 for works and services.

MK Dons Sport and Education Trust

Milton Keynes Council has a 33% representation (three members appointed by the council) on the Board of Directors of MK Dons Education Trust, which is a charitable company, limited by guarantee. The company's net assets as at 30th June 2011 were £158,160 (£225,006 at 30th June 2010) and the deficit reported as at 30th June 2011 was £66,846 (surplus of £1,954 at 30 June 2010).

The aim of the association is to educate children and young people, resident within Milton Keynes and surrounding areas, through the provision of facilities for recreation and other leisure time occupation.

In 2011/12, the council paid the MK Dons Sport and Education Trust £200,000 for works and services, including funding for the Ring of Steel artwork at Stadium MK.

Milton Keynes Parks Trust Ltd

Milton Keynes Council has 18% representation (three members appointed by the council) on the Board of Directors of Milton Keynes Parks Trust Ltd, which is a company limited by guarantee and not having share capital. At 31st March 2011 the company's net assets were £74,038,940 (£69,311,078 at 31st March 2010), and the surplus for 2010/11 was £2,728,668 (£2,091,979 deficit reported for 2009/10).

The company is responsible for the management and maintenance of the major woodlands and parkways of the city of Milton Keynes for the benefit of the inhabitants and visitors to the area.

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During 2011/12, the council paid the Milton Keynes Parks Trust Ltd £180,000 which includes a £167,000 contribution for the construction of a football pitch, and received income totalling £20,000. The balance owed to the Milton Keynes Parks Trust at 31st March was £15,000.

Milton Keynes Theatre and Gallery Ltd

Milton Keynes Council has 20% representation (two members appointed by the council) on the Board of Directors of Milton Keynes Theatre and Gallery Ltd, which is a company limited by guarantee and not having share capital. At 31st March 2011 the company's net assets were £591,286 (£294,279 at 31st March 2010), and the surplus for 2010/11 was £297,007 (£1,416 deficit reported for 2009/10).

The company was set up to take on the leasehold, management and operation of Milton Keynes Theatre and Gallery. The Theatre and Gallery were built by Milton Keynes Council with the assistance of funding from the National Lottery through the Arts Council of England and the Commission for New Towns.

During 2011/12, the council paid the Milton Keynes Theatre and Gallery Ltd £7,000 for works and services and a further £178,000 in grant funding.

Shenley Leisure Centre Trust Ltd

Milton Keynes Council has 21% representation (three members appointed by the council) on the Board of Directors of Shenley Leisure Centre Trust Ltd which is a company limited by guarantee and not having share capital. At 31st March 2011 the company's net assets were reported to be £931,356 (£879,293 for 2009/10) and the surplus for 2009/10 was reported at £52,063 (£2,192 for 2009/10).

The principle activity of the company is the provision of leisure, sports and recreation activities at the Shenley Leisure Centre.

During 2011/12, the council paid Shenley Leisure Trust Ltd a grant of £228,000 for provision of leisure services.

United Sustainable Energy Agency

Milton Keynes Council has 40% representation (one member and one officer appointed by the council) on the Board of Directors of United Sustainable Energy Agency, which is a company limited by guarantee and not having share capital. At 31st March 2011 the company's net assets were £458,808 (£463,765 at 31st March 2010), and the deficit for 2010/11 was £4,957 (surplus of £87,682 reported for 2009/10).

The principal objective of the company is to educate the public at home and in the workplace towards more efficient and effective use of energy by providing advice and administering practical projects that will lead to a reduction in energy use, reduction of pollution and protection of the environment.

Notes to the Accounts

During 2011/12, the council paid the United Sustainable Energy Agency £740,000 for carbon neutrality contributions. The balance owed to the Agency at 31st March was £15,000.

Wolverton and Watling Way Pools Leisure Trust

Milton Keynes Council has 43% representation (three members appointed by the council) on the Board of Directors of the Wolverton and Watling Way Pools Leisure Centre Trust which is a charitable company limited by guarantee and not having share capital. At 31st March 2011 the company's net liabilities were £8,439 (£12,197 at 31st March 2010) and the surplus for 2010/11 was £3,758 (deficit of £17,559 for 2009/10).

The object of the Charity is the provision of leisure and recreational services in Milton Keynes and the surrounding area. To achieve this, the company operates two swimming pools.

During 2011/12, the council paid the Wolverton and Watling Way Pools Leisure Trust £17,000 for works and services and a further £94,000 in grant funding. The council received income of £13,000 from the Trust.

The council has identified a further 43 organisations to which councillors, 31 in total have been appointed on behalf of the council and where the councillors concerned may be involved in decision making (as part of the Board of Directors), but where the percentage voting rights falls below 20%. Transactions between these organisations and the council are included in the Members, Officers and Assisted Organisations paragraphs earlier in this note.

38. GROUP ACCOUNTS

During 2007/08 Milton Keynes Council formed a company called Connect MK, in partnership with Freedom4 to provide a broadband service to residents and businesses within the borough of Milton Keynes.

Connect MK's board of directors comprises three heads of service and one council member.

Connect MK achieved turnover of £145,000 in 2011/12 and expenditure totalled £170,000. The council has taken the view that the activity of the company does not therefore warrant full group accounts disclosures.

Notes to the Accounts

39. TRUST FUNDS

The council acts as trustee for the following Trust Funds:

The MK Emergencies Trust Fund

The Trust was established to make payments to people who have suffered extreme hardship as a result of flooding within the Borough. The value of the fund at 31st March 2012 was £10,970 (£10,965 at 31st March 2011). Expenditure of £Nil was incurred in 2011/12 (£Nil in 2010/11).

The Filgrave Clock Tower Charitable Trust

The tower is held at nil value in the council's Asset Register and is a charity without endowment. In 2011/12, expenditure on the Tower totalled £286 (£322 in 2010/11).

The Simpson and Fenny Stratford/Bletchley War Memorial Trusts

The trusts were passed to the council to ensure that the memorials were maintained and repaired. There are no funds attached to the trusts and Milton Keynes Council meets all expenditure. However, in 2011/12 there were no costs incurred (£Nil in 2010/11).

The Norman Hawes Memorial Trust Fund

The trust was founded in memory of the late Norman Hawes for the purpose of assisting young people to travel overseas for educational purposes. The value of the fund at 31st March 2012 was £87,191 (£87,883 in 2010/11). In 2011/12 dividends and donations received generated an income of £3,579 (£3,561 in 2010/11) and expenditure totalling £3,550 was paid out in grants (£2,625 in 2010/11). The council acts as administrator for the trust.

Notes to the Accounts

40. CONTINGENT GAINS AND LOSSES

- a. The Court of Appeal has ruled that under Section 117 of the Mental Health Act 1983, local authorities cannot charge for aftercare of people hospitalised for mental health reasons. There is uncertainty over the potential number of claimants yet to come forward and it is therefore not possible to estimate the ultimate cost that may result.
- b. The subject of liability under Equal Pay Legislation has been raised with the council over a period of time by the recognised representative organisations. The council's move at a very early stage to single status of its workforce addressed a significant number of anomalies at the time.

The council has operated a formal job evaluation process which allocates jobs to grading structures since that time. The council is now moving towards implementing a new job evaluation process which will ensure equality issues do not arise in the future.

Equal pay audit and reviews were carried out and no significant equal pay issues were identified. Whilst there is a belief that there will be no significant pay impact, until the new methodology is in place there is a risk that equal pay issues could be found and each carries with it a liability to the council of the compensation payment of six years to each impacted employee.

More minor issues relating to potential equal pay matters have been addressed and implemented for non-schools employees, a further minor issue has been identified within the schools community and this will be addressed as part of the implementation of the new scheme(s).

Potential equal pay liabilities as a result of the Job Evaluation exercise are currently unknown. The time scale to provide further information will be dependent on the time taken to reach agreement with the Trade Unions on matters relating to pay/back pay and pay protection. The financial effect will be dependent on these decisions and it is anticipated that these decisions will be reached during the course of 2012/13.

- c. A number of staff are to TUPE into Milton Keynes Council later in the year, subject to a commercial agreement. All staff are on company specific terms and conditions of employment and many are likely to be members of a non LGPS pension scheme. The company redundancy policy and associated pension liabilities which would transfer over with staff are more generous than those available to other Council staff. It is too early to estimate the extent of any potential liability at this stage and discussions are ongoing with the companies regarding the comparability of current pension schemes.
- d. As a major employer the council is, from time to time in receipt of employment tribunal claims. A decision is awaited in respect of one ex-employee who has claimed constructive dismissal. Should this claim succeed it is estimated that the potential damages could be up to £35,000. The Employment Tribunal is expected to give judgement by July 2012. There are currently three further claims from ex-employees lodged with the Employment Tribunal where settlement is at present being explored on a commercial basis in advance of the hearings. Should the claims be settled then the total cost of the three cases is unlikely to exceed £40,000. The one remaining

Notes to the Accounts

case requires the ex-employee to take action by the 15th May before the Employment Tribunal will consider the matter.

- e. There is the possibility of legal challenge to the Core Strategy or Development Plan documents. A landowner, developer or other party could challenge the Development Plan documents after public examination, if they consider there are legal grounds to support their interests. There have been some challenges at national level on the Government's intention to abolish Regional Spatial Strategies. This is uncertain and is beyond the council's control. Public examination hearings of the core strategy are to be held in July 2012.
- f. The council may be required to make a compensation payment to Cygnet Catering – a school meals provider - of up to £30,000 for loss of income. This is due to four day nurseries that the council will no longer run. Three ceased at the end of April 2012 and one is expected to cease at the end of May 2012.
- g. Land connected with the Radcliffe School was sold on 18th February 2011. Guaranteed amounts were payable to the council on sale completion and on 1st July 2013 the council is due to receive a further £1,953,000. In addition, the council is due overage payments if the price of dwellings sold exceeds a threshold figure. This threshold is assessed annually in accordance with the contract on the anniversary of the sale date. As at 18th February 2012 there were no dwellings sold and the next assessment date is February 2013. There is also a mechanism in the contract for dealing with the payment of overage for any remaining dwellings unsold on the 8th anniversary of the sale to close down the topic of overage.

41. RETIREMENT BENEFITS

a. Local Government Pension Scheme

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The council participates in one pension scheme – the Local Government Pension Scheme – which is administered by Buckinghamshire County Council. This is a funded defined benefit final salary scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liability with investment assets.

Transactions relating to Post-employment Benefits

The council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as

Notes to the Accounts

pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2010/11 £'000		2011/12 £'000
	Comprehensive Income and Expenditure Statement	
	<i>Cost of Services</i>	
28,017	Current Service Cost	18,503
(56,353)	Past Service Costs	0
360	Settlements and curtailments	(2,355)
	<i>Financing and Investment Income and Expenditure</i>	
29,995	Interest Cost	24,867
(20,061)	Expected Return on scheme assets	(22,128)
<u>(18,042)</u>	Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	<u>18,887</u>
	<i>Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</i>	
0		0
<u>(87,824)</u>	Actuarial gains and losses	<u>117,600</u>
<u>(105,866)</u>	Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	<u>136,487</u>
	Movement in Reserves Statement	
18,042	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the code	(18,887)
	<i>Actual Amount Charged Against the General Fund Balance for Pensions in Year</i>	
15,764	Employers Contributions Payable to Scheme	14,719

The cumulative amount of actuarial gains or loss recognised within the Comprehensive Income and Expenditure Statement to the 31st March 2012 is a loss of (£117,600,000) (£87,824,000 loss in 2010/11).

Assets and Liabilities in Relation to Post-employment Benefits

Below is a reconciliation of the present value of scheme liabilities and a reconciliation of the fair value of the scheme assets:

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2010/11 £'000		2011/12 £'000
	Present Value of Liabilities	
(532,855)	1 April 2011	(454,348)
(28,017)	Current Service Cost	(18,503)
(29,995)	Interest Cost	(24,867)
(5,736)	Contributions by Scheme Participants	(4,865)
77,694	Actuarial Gains and Losses	(85,398)
7,967	Benefits Paid	12,655
56,353	Past Service Costs	0
(418)	Losses/(Gains) on Curtailments	(1,475)
220	Liabilities extinguished on settlements	10,066
439	Unfunded Pension Payments	510
(454,348)	31 March 2012	(566,225)
	Reconciliation of Fair Value of Assets	
269,060	1 April 2011	312,183
20,061	Expected Rate of Return	22,128
10,130	Actuarial Gains and Losses	(32,202)
15,764	Employer Contributions	14,719
5,736	Contributions by Scheme Participants	4,865
(8,406)	Benefits Paid	(13,165)
(162)	Receipt of bulk transfer value	(6,236)
312,183	31 March 2012	302,292
(142,165)	Pension Liability Recognised in the Balance Sheet	(263,933)

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £10,074,000 (£30,191,000 2010/11).

Scheme History

	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000
Present Value of Liabilities	560,122	448,427	525,225	306,810	322,930
Fair Value of Assets in the Local Government Pension Scheme	(302,292)	(312,183)	(269,060)	(189,323)	(219,045)
Present Value of Unfunded Obligation	6,103	5,921	7,630	6,597	6,784
Surplus/(Deficit) in the Scheme	263,933	142,165	263,795	124,084	110,669

The liabilities show the underlying commitments that the council has in the long run to pay post employment retirement benefits. The total liability of £263.933m has a substantial impact on the net worth of the council as recorded in the Balance Sheet.

Notes to the Accounts

However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy because the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions made to the Local Government Pension Scheme by the council in the year to 31st March 2012 were £14.719m. The estimated contributions payable to the Local Government Pension Scheme for the period 1st April 2012 to 31st March 2013 is £14.054m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Barnet Waddingham Public Sector Consulting, estimates for the council being based on the latest full valuation which took place on 31st March 2010.

Principal assumptions used by the actuary

2010/11 £'000		2011/12 £'000
	Long Term Expected Rate of Return on Assets in the Scheme:	
7.7%	Equity Investments	6.6%
4.4%	Gilts	3.3%
5.5%	Bonds	4.6%
7.2%	Property	6.1%
3.0%	Cash	3.0%
7.7%	Alternative Assets	6.6%
	Mortality Assumptions:	
	Longevity at 65 for current pensioners	
19.8	Men	20.0
23.9	Women	24.0
	Longevity at 65 for future pensioners	
21.9	Men	22.0
25.8	Women	25.9
3.5%	Rate of Inflation (RPI)	3.3%
2.7%	Rate of Inflation (CPI)	2.5%
5.0%	Rate of Increase in Salaries	4.7%
2.7%	Rate of Increase in Pensions	2.5%
5.5%	Rate for Discounting Scheme Liabilities	4.6%
50%	Take up of option to convert annual pension into retirement lump sum	50%

Notes to the Accounts

Local Government Pension Scheme assets, by proportion of total assets held

31 Mar 2011			31 Mar 2012	
£'000	%		£'000	%
215,406	69.0	Equity Investments	205,559	68.0
43,706	14.0	Bonds	51,389	17.0
9,365	3.0	Cash	6,046	2.0
24,975	8.0	Property	27,206	9.0
18,731	6.0	Alternative Assets	12,092	4.0
312,183	100.0		302,292	100.0

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets and liabilities at 31st March 2012:

31 Mar 2011			31 Mar 2012	
£'000			£'000	
10,130	Difference Between the Expected and Actual Return on Assets		(32,202)	
1	Experience Gains and Losses on Liabilities		0	

42. PENSIONS SCHEMES ACCOUNTED FOR AS A DEFINED CONTRIBUTION SCHEMES

Teachers employed by the authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2011/12 the council paid £9,178,000 (£11,371,000 in 2010/11) to Teachers Pensions in respect of teachers' retirement benefits, equivalent to 14.1% (14.1% in 2010/11) of total pensionable pay. The council also paid additional sums in respect of added years awarded to former employees amounting to £243,000 (£347,000 in 2010/11). There was no contribution remaining payable at the year end. The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis.

Supplementary Financial Statements

1. HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

This statement shows the economic cost in the year of providing housing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from rents and government grants. The council charges rent to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rent is raised, is shown in the Movement on the Housing Revenue Account Statement.

2010/11 £'000		2011/12 £'000
	Expenditure	
10,890	Repairs and Maintenance	11,254
6,429	Supervision and Management	7,402
3,083	Special Services	2,692
268	Rent, Rates, Taxes and Other Charges	386
13,528	Negative Housing Revenue Account Subsidy Payable	12,494
	Depreciation of Non-Current Assets	
7,897	Dwellings	6,421
686	All Other HRA Assets	723
	Impairment of Non-Current Assets	
134,488	Dwellings	17,186
390	All Other HRA Assets	779
5	Debt Management Costs	63
25	Amortisation of Intangible Fixed Assets	22
759	Revenue Expenditure Funded by Capital Under Statute	143
786	Contribution to Reserves for Bad and Doubtful Debts	641
1,535	Rent Rebate Subsidy Limitation Transfer to the General Fund	1,080
0	HRA Self Financing Debt Settlement	170,360
180,769	Total Expenditure	231,646
	Income	
(46,018)	Dwelling Rents	(48,129)
(1,724)	Non-Dwelling Rents	(1,724)
	Charges for Services and Facilities	
(1,108)	Tenants	(812)
(1,682)	Leaseholders	(646)
(141)	Contribution towards expenditure	(155)
0	Housing Revenue Account Subsidy Receivable	0
(50,673)	Total Income	(51,466)
130,096	Net Cost of HRA Services as included in the whole authority	180,180
	Comprehensive Income and Expenditure Statement	
174	HRA Share of Corporate and Democratic Core	246
130,270	Net Cost of Housing Revenue Account Services	180,426
(232)	(Gain) / Loss on Sale of HRA Non-Current Assets	111
4,027	Interest Payable and Similar Charges	3,912
(89)	HRA Interest and Investment Income	(110)
304	Pension Interest Cost and Expected Return on Pension Assets	84
0	Capital Grants and Contributions Receivable	0
134,281	Surplus / Deficit for the Year on HRA Services	184,423

Supplementary Financial Statements

2. MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

This statement illustrates how the Housing Revenue Account Income and Expenditure Statement surplus or deficit for the year reconciles to the movement on the Housing Revenue Account balance for the year.

2010/11 £'000		2011/12 £'000
	(6,058) Housing Revenue Account Balance as at 1 April 2011	(3,566)
134,281	(Surplus) / Deficit on HRA Income and Expenditure Statement	184,423
(134,222)	Adjustments between Accounting Basis and Funding Basis Under Regulations	(186,408)
<hr/>		<hr/>
59	Net (Increase) / Decrease before Transfers to/from Earmarked Reserves	(1,985)
2,433	Transfer to / (from) Reserves	40
2,492	Decrease in year on Housing Revenue Account	(1,945)
<hr/>		<hr/>
(3,566)	Housing Revenue Account Balance as at 31 March 2012	(5,511)

Supplementary Financial Statements

3. ANALYSIS OF THE ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made the Housing Revenue Account in the year according with proper accounting practice to the resources that are specified by statutory provisions as being available to the authority to meet capital and revenue expenditure.

2010/11 £'000		2011/12 £'000
(143,486)	Difference between any other items of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(25,131)
(22)	Revenue Expenditure Funded from Capital Under Statute	7
0	Capital Grants & Contributions credited to the Housing Revenue Income & Expenditure Account	0
232	Net Gain or Loss on Sale of Non-Current Assets	(111)
(43)	Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(16)
1,036	Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(128)
3,132	Capital Expenditure funded from the Housing Revenue Account	1,176
32	Accumulated Absence Account	(33)
4,897	Transfer to/(from) the Major Repairs Reserve	8,092
0	Prudential Borrowing Principal Repayment	96
0	HRA Self Financing Debt Settlement	(170,360)
(134,222)	Adjustments between accounting basis & funding basis under regulations	(186,408)

4. TRANSFERS TO/FROM EARMARKED RESERVES

The following Reserves were held at 31st March 2012.

	Balance at 31 March 2010 £'000	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	Balance at 31 March 2011 £'000	Transfers Out 2011/12 £'000	Transfers In 2011/12 £'000	Balance at 31 March 2012 £'000
Allow for Non-Payment of Debt Reserve	(1,147)	400	0	(747)	186	0	(561)
Other Earmarked Reserves	(292)	192	0	(100)		(410)	(510)
Capital Reserve - HRA	(656)	0	(3,025)	(3,681)	184	0	(3,497)
Total HRA Earmarked Reserves	(2,095)	592	(3,025)	(4,528)	370	(410)	(4,568)

Supplementary Financial Statements

5. HOUSING STOCK

At 1st April 2011 the HRA housing stock was 12,479. During the 2011/12 financial year 23 properties were sold to tenants (includes part-sales of shared ownership dwellings), 3 dwellings were disposed of through open market sales and 6 HMO units were transferred to a 2 dwelling standard tenancy with a net transfer out of the HRA stock of 4 units. Therefore as at 31st March 2012 the Council was responsible for managing a housing stock of 12,449 dwellings of which 1,001 is the council's portion of shared ownership dwellings and 26 are dwellings in multiple-occupation. The analysis of the remaining 11,422 dwellings is as follows:

	Houses	Flats	Total	Houses Built	No. of Houses
1 Bedroom	1,451	2,368	3,819	Pre - 1919	49
2 Bedrooms	1,800	853	2,653	1919 - 1944	349
3 or more Bedrooms	4,770	180	4,950	1945 - 1964	1,507
				Post - 1964	6,116
Total	8,021	3,401	11,422		8,021

6. ASSET VALUES

The Balance Sheet values of the assets held within the Housing Revenue Account are as follows:

	31 March 2011 £'000	1 April 2011 £'000	31 March 2012 £'000
<u>Operational Assets</u>			
Council Dwellings	426,610	426,610	412,429
Other Land & Buildings	18,889	18,932	18,213
Equipment	186	186	78
<u>Non Operational Assets</u>			
Surplus Assets	3,227	3,227	982
Assets Held for Sale	194	194	139
Investment Properties	43	43	43
	449,149	449,192	431,884

The difference between valuations at 31st March 2011 and 1st April 2011 is due to the revaluation of assets on 1st April. The decrease of £17,308,000 between 1st April 2011 and 31st March 2012 is due to further revaluations in the year along with disposals, depreciation and impairment losses.

As at 1st April 2011, the vacant possession value of the council's dwellings is estimated at £1,360,354,000, compared with the Balance Sheet value of £426,610,000 shown above. This variance reflects the economic cost to the Government of providing council housing at less than open market rents.

Supplementary Financial Statements

7. MAJOR REPAIRS RESERVE

The council is required by regulation to establish and maintain a Major Repairs Reserve. The main credit to the account comprises the total depreciation charge for all Housing Revenue Account assets. Capital spending on Housing Revenue Account assets is then funded from the reserve without being charged to the Housing Revenue Account.

2010/11 £'000		2011/12 £'000
0	Opening Balance at 1 April 2011	0
(8,583)	Amounts transferred to the Major Repairs Reserve from the HRA during the year	(8,092)
686	Amounts transferred from the Major Repairs Reserve to the HRA during the year	0
7,897	Debits to the Major Repairs Reserve during the financial year in respect of capital expenditure on land, houses, and other properties within the HRA	8,092
0	Debits in respect of any repayment made in year of the principal of any amounts borrowed where the repayment was met by the payment out of the Major Repairs Reserve	0
0	Debits in respect of the meeting of any liability in year in respect of credit arrangements' other than any liability which in accordance with proper practices must be charged to a revenue account where the meeting of the liability was met by payments out of the reserve	0
0	Balance Carried Forward at 31 March 2012	0

Where depreciation charges are less than the Major Repairs Allowance (MRA) an amount equal to the difference is transferred to the Major Repairs Reserve.

Supplementary Financial Statements

8. CAPITAL EXPENDITURE

Total capital spending within housing and other Housing Revenue Account resources and its funding in 2011/12 is shown in the table below.

2010/11 £'000		2011/12 £'000
	<u>Capital Spending</u>	
12,229	- Dwellings	9,766
42	- Other HRA Assets	24
759	- Revenue Expenditure Funded from Capital Under Statute	143
<u>13,030</u>		<u>9,933</u>
	<u>Funded By</u>	
242	- Usable Capital Receipts	516
972	- Supported Borrowing	0
3,000	- Unsupported Borrowing	0
4,897	- Major Repairs Allowance	8,092
0	- Government Grant	0
50	- Third Party Contributions	0
3,869	- Revenue Contributions	1,325
<u>13,030</u>		<u>9,933</u>

9. CAPITAL RECEIPTS

The following capital receipts were received during 2011/12:

2010/11 £'000		2011/12 £'000
	Sales of Dwellings*:	
962	Council Houses	572
154	Shared Ownership	12
22	Recovered Discount	16
7	Mortgage Receipts	24
30	Other Sales	(14)
14	Non RTB Sales	607
42	Capital Improvement receipts	11
<u>1,231</u>	HRA Receipts in Year	<u>1,228</u>
(878)	Less: Statutory Pooling	(458)
<u>353</u>	Total HRA Useable Receipts in year	<u>770</u>

* Sales of dwellings are shown net of administrative costs and clawback.

Supplementary Financial Statements

10. DEPRECIATION

The total charge for depreciation within the Housing Revenue Account for the year is made up as follows:

2010/11 £'000		2011/12 £'000
	<u>Operational Assets</u>	
7,897	Dwellings	6,421
511	Other Land and Buildings	503
136	Equipment	128
	<u>Non Operational Assets</u>	
39	Surplus Properties	92
<u>8,583</u>	Gross Balance Sheet Value	<u>7,144</u>

The charge for depreciation on dwellings from 1st April 2011 has been calculated on an actual life basis.

Other assets are depreciated over their useful life with property being based on 60 years from completion date.

Supplementary Financial Statements

11. IMPAIRMENT

The total charge for impairment within the Housing Revenue Account for the year is made up as follows:

Total Impairment 2010/11 £'000		Impairment Loss Charged to HRA 2011/12 £'000	Reversal of Impairment Loss charged to HRA 2011/12 £'000	Revaluati- on 2011/12 £'000	Reversal of Revaluati- on Loss charged to HRA 2011/12 £'000	Total Impairment 2011/12 £'000
	Operational Assets					
134,488	Dwellings	17,718	(8,703)	8,171	0	17,186
390	Other Land & Buildings	786	0	17	0	803
134,878	Balance Sheet Value - Operational Assets	18,504	(8,703)	8,188	0	17,989
0	Non-Operational Assets	0	0	(24)	0	(24)
0	Balance Sheet Value - Non-Operational Assets	0	0	(24)	0	(24)
134,878	Total Impairment	18,504	(8,703)	8,164	0	17,965

The impairment charge on Council Dwellings is recognising the works identified for the HRA 2012/13 Capital Programme.

12. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE AND INTANGIBLE NON-CURRENT ASSETS

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a fixed asset has been charged as expenditure to the Housing Revenue Account in the year.

Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the Housing Revenue Statement so there is no impact on the level of Council Tax. In 2011/12, expenditure of this nature totalled £143,000.

Intangible Fixed Assets comprise of purchased software licences and custom built software prepared for use for a period of a least one year and amortised over their useful economic lives. In 2011/12, intangible fixed assets of £22,000 were written down to the Housing Revenue Account.

Supplementary Financial Statements

13. PENSION RESERVE

The transfer to the Pensions Reserve in respect of the Housing Revenue Account is (£128,000). Details of the background to, and reasons for this adjustment, may be found in note 9 to the Statement of Accounting Policies, and note 41 to the Financial Statements.

14. GOVERNMENT SUBSIDY

Housing Revenue Account negative subsidy payable to the government for the financial year, in accordance with the elements set out in the Government's Determination of Housing Revenue Account Subsidy for the year, was as follows:

2010/11 £'000		2011/12 £'000
(20,193)	Management and Maintenance	(20,845)
(4,301)	Charges for Capital	(4,279)
0	Rental Constraint Allowance	0
3	Interest on Receipts	2
42,916	Guideline Rent Income	45,717
18,425	HRA Negative Subsidy Entitlement for year	20,595
(7,897)	Major Repairs Allowance	(8,092)
3,000	Major Repairs Allowance 2010/11 (share brought forward into 2009/10)	0
(4,897)	Total MRA Allowance	(8,092)
13,528	Total HRA Negative Subsidy Payable for 2011/12	12,503
0	Adjustment in respect of 2010/11	(9)
13,528	Total HRA Negative Subsidy Payable in Year	12,494

The total negative subsidy charged within the HRA of £20,595,000 is partially offset by the Government's Major Repairs Allowance of £8,092,000, used in the funding of capital expenditure.

Supplementary Financial Statements

15. RENTS ARREARS

The total rent income for the year, after allowance is made for voids, is known as Gross Rent Income. The loss of income as a result of voids was £1,002,000 (£888,000 in 2010/11). At 31st March 2012, 0.84% of properties available to let were vacant (1.31% at 31st March 2011).

Rents are expressed in terms of a 50-week year and were increased from 4th April 2011 by an average of 5.1%. The average weekly rent at the end of 2011/12 was £77.70 (£74.15 in 2010/11).

The Housing Revenue Account shows rent income and other miscellaneous charges (for example service charges). Arrears of all charges at 31st March 2012 amounted to £4,962,000 (£3,925,000 at 31st March 2011). During the year ending 31st March 2012 arrears of £364,000 were written off as irrecoverable, which includes rent debt written off amounting to £252,000.

The council has made a total provision against all housing-related debts of £1,546,000. This figure includes a provision against rent arrears, in the sum of £1,099,000.

16. SUBSIDY LIMITATION TRANSFER TO THE GENERAL FUND

Rent rebates are available under the Housing Benefit scheme for those on low incomes. 64.30% of the Council's tenants receive some help with the cost of their rent.

From 1st April 2004, the responsibility for carrying the cost of Housing Benefit passed to the General Fund in accordance with legislative changes. The Housing Revenue Account now only bears the cost of rent rebate subsidy limitation, which is the cost of rent rebates payable on rents above the Government's Limit rent level. In 2011/12 this cost was £1,080,000.

Supplementary Financial Statements

17. COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from tax payers and distribution to local authorities and the government of council tax and non-domestic rates.

2010/11 £'000		2011/12 £'000
	Amounts required by statute to be credited to the Collection Fund	
(99,044)	Council Tax	(100,513)
	Transfers from the General Fund	
(16,780)	Council Tax Benefits	(16,742)
2	Transitional Relief	(2)
0	Discount for prompt payment	0
(16,778)		(16,744)
(135,667)	Income from Business Ratepayers	(141,009)
0	Income collectable in respect of Business Rates Supplements	0
0	Contributions towards previous years Collection Fund deficit	0
0	Contribution - adjustment of previous years' community charges	0
(251,489)		(258,266)
	Amounts required by statute to be debited to the Collection Fund	
	Precepts:	
12,615	Thames Valley Police Authority	12,787
4,834	Bucks & Milton Keynes Fire Authority	4,900
96,116	Milton Keynes Council	97,504
113,565		115,191
	Business Rates:	
135,150	NNDR Payment to National Pool	140,601
370	Cost of Collecting Business Rates	372
147	Interest on NNDR Payments	35
135,667		141,008
	Business Rates Supplement:	
	Payment to Levying authority's Business Rate	
0	Supplement Revenue Account	0
0	Administrative costs	0
0		0
(134)	Impairment of debts/appeals	708
800	Contributions towards previous years Collection Fund surplus	960
0	Contribution - adjustment of previous years' community charges	
249,898		257,867
(1,591)	Net (Surplus)/Deficit for the year	(399)
(508)	Opening Fund Balance 1st April 2011	(2,099)
(1,591)	Movement on Fund Balance	(399)
(2,099)	Closing Fund balance 1st April 2012	(2,498)

Supplementary Financial Statements

18. RATEABLE VALUE

The total rateable value of business property at 31st March 2012 was £350,297,689 (£346,057,684 2010/11) and the rate multiplier applied in 2011/12 was £0.433 (£0.414 2010/11) with a reduced multiplier of £0.426 for those businesses receiving Small Business Relief (£0.407 in 2010/11).

19. TAX BASE

The Council Tax base for 2011/12, i.e. the number of chargeable dwellings in each band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, was calculated as follows:

Estimated No. of Taxable Properties after discounts/exemptions	Ratio to Band D	Band D Equivalent
A-	5/9	10.60
A	6/9	8,560.63
B	7/9	19,249.82
C	8/9	21,595.69
D	9/9	11,303.90
E	11/9	11,454.88
F	13/9	6,992.52
G	15/9	4,247.07
H	18/9	200.40
		83,615.51
Anticipated changes during the year		220.00
Provision for non-collection (1.15%)		(964.11)
Reductions for Discounts		
Council Tax Base		82,871.40

20. COLLECTION FUND BALANCE APPORTIONMENT

The Collection Fund is a statutory Fund in which the council records transactions for Council Tax, Business Rates and residual Community Charges. The balance on the Fund is available for financing the expenditure of the council and the Police and Fire Authorities. In 2011/12 the Fund is in surplus and is attributable to:

2010/11 £'000		2011/12 £'000
(1,779)	Milton Keynes Council	(2,114)
(232)	Thames Valley Police Authority	(278)
(88)	Buckinghamshire and Milton Keynes Fire Authority	(106)
(2,099)		(2,498)

Supplementary Financial Statements

A Collection Fund surplus of (£1,300,000) had been estimated when the 2012/13 Council Tax was set. The final outturn as above was (£2,498,000) surplus, leaving the balance of (£1,198,000) to be a contribution from the Collection Fund in 2012/13.

21. WRITE OFFS

Council Tax debt of £846,938 was written off in 2011/12; (£526,763 in 2010/11).

22. PRECEPTS AND DEMANDS ON THE COLLECTION FUND

2010/11 Total £'000		Precept / Demand £'000	Share of 31 Mar 2012 Surplus £'000	2011/12 Total £'000
94,339	Milton Keynes Council	97,504	2,114	99,618
12,382	Thames Valley Police Authority	12,787	278	13,064
4,745	Buckinghamshire and Milton Keynes Fire Authority	4,900	106	5,006
111,466		115,191	2,498	117,689

Glossary

Accruals

Sums included in the final accounts of the council to cover income or expenditure attributable to the accounting period for which payment has not been received/made in the financial year. Local authorities accrue for both revenue and capital expenditure.

Actuary

An independent and appropriately qualified adviser who carries out statutorily required pension fund valuations.

Amortisation

The reduction of the value of an asset by prorating its cost over a period of years.

Capital Charges

A charge for the use of fixed assets in the provision of services. The charge comprises depreciation plus notional interest.

Capital Expenditure

Spending that produces or enhances an asset, like land, buildings, vehicles, plant and machinery. Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure that does not fall within the definition must be charged to a revenue account.

Capital Receipts

The proceeds from the sale of fixed assets such as land and buildings.

Capital receipts can be used to repay any outstanding debt on fixed assets or, to finance new capital expenditure, within rules set down by government. Capital receipts cannot, however, be used to finance revenue expenditure.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The professional accountancy body concerned with local authorities and the public sector.

Collection Fund

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging Authority in relation to Non-Domestic Rates and Council Tax and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

Contingent Liabilities/Gains

Potential losses/gains for which a future event will establish whether a liability/gain exists and for which it is inappropriate to set up a provision in the accounts.

Deferred Grants

Amounts received or receivable that have been used to finance capital expenditure. Under the capital accounting arrangements these amounts will be released to offset depreciation in respect of the fixed assets to which they relate.

Depreciation

The measure of the wearing out, consumption or other reduction in the useful life of a fixed asset.

Glossary

Earmarked Reserves

These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

Finance Leases

Arrangement whereby the lessee is treated as owner of the leased asset and is required to include such assets within fixed assets on the balance sheet.

Financial Instruments

A Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

International Financial Reporting Standard (IFRS)

A statement of accounting practice issued by the Accounting Standards Board.

Fixed Assets

Non-current asset that yields benefits to the council and the services it provides for a period of more than one year.

General Fund (GF)

This is the main revenue account of the council. Day to day transactions are conducted through this account, with the exception of those relating to the Housing Revenue Account, Collection Fund or any other trust funds held by the council.

Housing Revenue Account

The account of revenue expenditure and income relating to the council's own housing stock.

Infrastructure Assets

Expenditure on works of construction or improvement but which have no tangible value, such as construction of, or improvement to highways.

Intangible Assets

Expenditure of a capital nature where no tangible asset is created such as housing renovation grants or computer software.

Investments

Deposits for less than one year with approved institutions.

Long Term Debtors

Amounts due to the council more than one year after the balance sheet date.

Major Repairs Allowance

The estimated average annual cost of maintaining the condition of the council's housing stock over a 30 year period based on the councils mix of dwelling types

Glossary

Minimum Revenue Provision

The minimum amount that may be set aside for the repayment of debt. The statutory figure is usually shown in a council's accounts by means of an adjustment to depreciation.

National Non-Domestic Rate (NNDR)

Under the revised arrangements for uniform business rates, that came into effect on 1st April 1990, the council collects Non-Domestic Rates for its area based on local rateable values, multiplied by a national uniform rate.

The total amount, less certain reliefs and deductions, is paid to a central pool managed by the government, that in turn, pays back to Authorities their share of the pool based on a standard amount per head of the local adult population.

Non-Operational Assets

Fixed assets held by the council but not directly used or consumed in the delivery of its services. This would include surplus properties awaiting disposal.

Operational Assets

Fixed assets held by the council and used or consumed in the delivery of its services.

Operational Leases

An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company.

Pension Fund

An employees' pension fund maintained by an authority, or a group of authorities, in order primarily to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

Precepting Authorities

Those authorities that are not billing authorities (i.e. do not collect Council Tax) precept upon the billing authority, who then collect on their behalf - Thames Valley Police Authority, Buckinghamshire & Milton Keynes Fire Authority and the Parishes that precept upon Milton Keynes Council.

Provisions

Sums set aside to meet future expenditure where a specific liability is known to exist but that cannot be measured accurately.

Public Works Loan Board

The Public Works Loan Board (PWLB) was established in 1793 to provide loans to public bodies from the National Loans Fund. It today provides loans to local authorities of all types in Great Britain, primarily for capital projects, but also as a lender of last resort.